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THE COMMONWEALTH OF MASSACHUSETTS  
MASSACHUSETTS GAMING COMMISSION  
PUBLIC MEETING #142

CHAIRMAN

Stephen P. Crosby

COMMISSIONERS

Gayle Cameron

James F. McHugh

Bruce W. Stebbins

Enrique Zuniga

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January 8, 2015 10:30 a.m. - 12:55 p.m.

BOSTON CONVENTION AND EXHIBITION CENTER

415 Summer Street, Room 107B

Boston, Massachusetts

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P R O C E E D I N G S :

CHAIRMAN CROSBY: We will convene the 142nd meeting of the Massachusetts Gaming Commission at the Convention Center on January 8. The first order of business as usual is the approval of minutes, Commissioner McHugh.

COMMISSIONER MCHUGH: Yes, Mr. Chairman. The minutes are in the meeting material packet that is of the December 18, 2014 meeting. And I would move their approval as they appear there with the usual reservation of power to change and correct typographical and other mechanical errors.

CHAIRMAN CROSBY: Second?

COMMISSIONER ZUNIGA: Yes, second.

CHAIRMAN CROSBY: Any discussion?  
All in favor, aye.

COMMISSIONER MCHUGH: Aye.

COMMISSIONER CAMERON: Aye.

COMMISSIONER ZUNIGA: Aye.

CHAIRMAN CROSBY: Opposed? The ayes have it unanimously.

Next item is administration,

1 Executive Director Day.

2

3 (Commissioner Stebbins enters  
4 meeting room)

5

6 MR. DAY: Good morning Chairman  
7 Crosby, members of the Commission. I'm glad to  
8 see everybody is still warm and no frostbite.  
9 From my perspective, I just had a few things  
10 I'd like to talk about from the administrative  
11 report. One of those is of course to  
12 acknowledge that at this point our address has  
13 changed to 101 Federal Street, 23rd floor,  
14 Boston.

15 Other than the move itself, and I  
16 think John happens to be sitting here --  
17 Glennon, so I think one thing we kind of  
18 noticed at the office that actually all of the  
19 IT resources are working and in place when we  
20 were there, which I think took some extra  
21 effort from John's team to get that taken care  
22 of. So, we definitely appreciate that.

23 MR. GLENNON: Thank you, practice  
24 for doing it again in eight or nine months.

1                   COMMISSIONER MCHUGH: That's a big  
2 job and to make that work as seamlessly as it  
3 did is really praise worthy. So, I thank you  
4 and your team for that.

5                   MR. GLENNON: There are some good  
6 partners, Dan McDonald, MassIT helped us out.  
7 We had some vendors help us out. It really is  
8 pretty impressive to leave a box and your  
9 computer and your phone and come back into your  
10 new space and have everything work. I think we  
11 did good work. So, thank you for that.

12                   CHAIRMAN CROSBY: Both you and your  
13 team and Janice and her team, every which way,  
14 the whole was really, really great.

15                   MR. DAY: With that we've got a few  
16 updates for the Commission. I wanted you to  
17 know that our horse racing staff and our human  
18 resource are preparing to open recruitment for  
19 seasonal positions at the Plainridge track.  
20 This season will be from April 1 to about  
21 November 30. So, it'll be about four weeks  
22 longer.

23                   We should be able to post the  
24 positions that range from judges to testing

1 assistants by next week. Our horse racing  
2 staff, gaming licensing and our Massachusetts  
3 State Police work together to fingerprint and  
4 process license applications for 56 Plainridge  
5 and Raynham applicants as well. We plan to  
6 provide the same service to Suffolk. The  
7 troopers actually went down and printed on-  
8 site, which was very helpful. This is the  
9 first year that racing applicants were required  
10 to fingerprint.

11 We're also of course processing and  
12 the New England Horsemen's Benevolent and  
13 Protective Association application to transfer  
14 the license and simulcast. And we are working  
15 to complete proposed revisions to CMR 250  
16 section two, three and four.

17 Our goal here is to provide an  
18 opportunity for us to make those proposed  
19 changes, review them with the stakeholders and  
20 then bring them to the Commission as we get  
21 past that point.

22 In our recruitment activities, I  
23 wanted to share a few updates with the  
24 Commission. We have identified an experienced

1 candidate for our gaming agent supervisor  
2 position at the slots parlor. We will shortly  
3 begin recruiting as well for the gaming agents  
4 who have to staff the facility.

5 We filled our paralegal position.  
6 The position will start later this month.  
7 We've selected a candidate to fill the  
8 administrative assistant finance/HR position.  
9 We've engaged a search at this point for our  
10 revenue accountant, and administrative  
11 assistant for IT and the Chief of Staff.

12 And we've engaged a search with  
13 local colleges for an intern for Workforce,  
14 Supplier and Diversity Development. As John  
15 will mention, we are continuing to search for a  
16 gaming lab manager. We have recently a few  
17 candidates that we'll be speaking to as we move  
18 through that process.

19 We've also been recruiting for two  
20 licensing support staff and we are reviewing  
21 about 85 applications for those two positions.

22 In addition, just kind of an update  
23 as we ended the year. The Division of  
24 Licensing has reviewed and processed about 318

1 applicants, registrants or subcontractors at  
2 this point. Those applications involved about  
3 \$198,000. The fees are either collected or to  
4 be the collected.

5 They consist of a number of  
6 combinations of different type of applicants  
7 and registrants. But there are 10 primary  
8 gaming vendors in that group, about 113 in  
9 supporting qualifiers, six gaming vendor  
10 secondary applications and about 36 qualifiers  
11 associated with those and about 80 non-gaming  
12 vendors or registrants that are in that group.

13 In addition, our licensing  
14 management system is in soft launch within the  
15 agency. And we are anticipating beginning to  
16 load actual data in that system by early next  
17 week.

18 We held recently a kickoff meeting  
19 to introduce and coordinate our project  
20 monitors and staff with the MGM representatives  
21 to identify the regulatory process and  
22 expectations from the Commission's oversight of  
23 the project and their commitments.

24 We've also began a review of each

1 director's and division's plans needed to  
2 ensure that the Commission is prepared to  
3 effectively regulate when the slot parlor is  
4 ready to open. We are also nearing the  
5 completion of a significant update and a re-  
6 organization of the Commission's website as  
7 well. A number of activities going on in the  
8 agency at this point and that gets me through  
9 the administrative report unless I have any  
10 questions.

11 COMMISSIONER MCHUGH: No, thank you.

12 CHAIRMAN CROSBY: No.

13 COMMISSIONER CAMERON: Thank you.

14 MR. DAY: With that Mr. Chairman, it  
15 brings us to item (b) and the discussion about  
16 the central management system.

17 We are back today in our discussion  
18 regarding the central management system for  
19 monitoring slot activity. We were using the  
20 time in between the last meeting to see if we  
21 could gather information about the feasibility  
22 of a joint effort with New Jersey and to  
23 complete some additional preparation to try to  
24 answer any follow-up questions you might have



1 today. Derek and John with their team are here  
2 today to proceed ahead with that discussion.

3 And I'll turn it over to Derek and  
4 Mr. Glennon here so they can move forward.

5 MR. LENNON: Good morning,  
6 Commissioners. Today, I'm joined once again by  
7 Matt Cedor from GTECH, Jackie Mancini from  
8 GTECH. We have John Glennon, our CIO. We have  
9 Bruce Band, our Deputy Director of Gaming  
10 Agents, Vanessa Orso, one of our financial  
11 investigators, part of the key team that's been  
12 reporting to you since April on this topic.

13 Back in December, I think it was the  
14 18 or 19, we presented to you. And you asked  
15 us to come back in two weeks with a few follow-  
16 up items. One was the progress of how we're  
17 doing with our conversations with New Jersey on  
18 a possible alternative, which John will talk  
19 about in a few minutes.

20 The second one was about the  
21 straight staffing piece of the return on  
22 investment that we had presented back on the  
23 18th. So, what happens when you phase it in?  
24 Are there some other alternatives?

1           So, I'll let John talk first about  
2 the New Jersey process and then we'll talk  
3 about the staffing piece and if you have any  
4 questions. Then we have some public comments  
5 that came in from both Penn National and MGM  
6 came in last night. They're in your packet if  
7 you'd like to address any of those questions.

8           I think the MGM representatives may  
9 want to come up and discuss some of the items  
10 with you or field any questions you have about  
11 their written material.

12           MR. GLENNON: So, on a recent trip  
13 to New Jersey, our team including two  
14 Commissioners and a group of people looking at  
15 internal controls in opening had the  
16 opportunity to visit the New Jersey Department  
17 of Gaming Enforcement Technology Services  
18 Bureau lab.

19           And what they are currently doing  
20 with technology is an innovative approach to  
21 monitoring iGaming which is essentially there  
22 are 15 providers of Internet gaming services.  
23 And New Jersey is monitoring them using some  
24 innovative technology.

1                   And the question was raised whether  
2 or not that's that could be scaled out and  
3 built out for brick-and-mortar similar to the  
4 application that we are looking at buying --  
5 buying a solution we are looking at buying from  
6 GTECH.

7                   We had a number of conversations  
8 with Eric Weiss and members of his technical  
9 team. What we've agreed is to continue to look  
10 at that alternative. I think there is a  
11 feasibility there. I am just concerned about  
12 the timeline, the cost and getting in the  
13 software development business.

14                   But that having been said the  
15 benefit would be a very low-cost model,  
16 something that could be shared with regulators  
17 across the country. And it may very well be  
18 able to provide us with the information that we  
19 need to regulate. I think those are some of  
20 the questions that need to be answered.

21                   So, we've agreed to work with them.  
22 I think this is in its nascent stages. There's  
23 really nothing on paper. It's a discussion.  
24 But they are engaging with the Gaming Standards

1 Association and other people in the world of  
2 technology to see whether this is something  
3 that could be built out.

4 So, I think Massachusetts is  
5 interested in that effort. And we are going to  
6 work with them. I think the timing of that and  
7 the amount of effort we put in is going to be  
8 determined by the Commission.

9 CHAIRMAN CROSBY: Are there other  
10 jurisdictions, are they talking to other  
11 jurisdictions or is there anybody else?

12 MR. GLENNON: I think the idea came  
13 about when their system was demo'd for our team  
14 and our team said we're doing this for brick-  
15 and-mortar. Is this something that you think  
16 is scalable and transferable from server to  
17 server validation to validation of individual  
18 electronic gaming devices.

19 And I think that's what Eric and his  
20 team are going to look at along with our  
21 cooperation, collaboration.

22 CHAIRMAN CROSBY: So, this started  
23 with us? It's not something other  
24 jurisdictions are kicking around?

1 MR. GLENNON: Correct.

2 COMMISSIONER ZUNIGA: But it's  
3 operational in the iGaming arena. The  
4 question is could this be operational in brick-  
5 and-mortar?

6 MR. GLENNON: I would say  
7 operational is a broad term in terms of feature  
8 and functionality. I think they do some  
9 validation server to server. I think the  
10 amount of features and functions and the  
11 ability and capabilities of the INTELLIGEN  
12 system are significantly more than the type of  
13 validations that they're currently doing with  
14 the data.

15 It's not asset management. Again,  
16 it's not an apples to apples comparison. So, I  
17 really don't want to say they're doing what we  
18 would be doing with INTELLIGEN system. It's  
19 not purely apples to apples, Commissioner.

20 COMMISSIONER MCHUGH: So, it is not  
21 an asset management tool because it's in a  
22 different universe, right?

23 MR. GLENNON: It is not.

24 COMMISSIONER MCHUGH: And it does

1 not -- Does it capture in terms of data all of  
2 the data that we would capture through a CMS?

3 MR. GLENNON: No. It authenticates  
4 that the games running on the iGaming servers,  
5 they're the providers, are authorized by New  
6 Jersey to operate. I believe it also collects  
7 metered data, so to speak, from the sessions,  
8 the gaming sessions as well, so the financial  
9 piece. But there is no asset, there isn't a  
10 fixed asset. You're talking about mobile  
11 gaming.

12 COMMISSIONER MCHUGH: Right. And  
13 the metered data that it captures, what do you  
14 mean by that?

15 MR. GLENNON: So, I am still kind of  
16 fuzzy on exactly what they are doing with the  
17 technology, but I believe transactionally there  
18 are -- there's dollars associated with the  
19 sessions that are being monitored. I believe  
20 they also collect that information.

21 Derek, is that accurate?

22 MR. LENNON: Yes. We didn't get  
23 into a technical discussion, but basically what  
24 they're doing is verifying the revenue data

1 that's being presented to them manually through  
2 the network.

3 COMMISSIONER MCHUGH: By the  
4 operators?

5 MR. LENNON: Correct, by the 15  
6 providers.

7 COMMISSIONER MCHUGH: So, it's an  
8 independent verification of the financial data  
9 that the operators are giving them.

10 MR. LENNON: Correct.

11 MR. GLENNON: And the validation of  
12 the signatures of the software running.

13 COMMISSIONER MCHUGH: Plus the  
14 validation of the signatures of the software.  
15 So, we don't know and they're not prepared to  
16 tell you now based on their knowledge whether  
17 it can also function as an asset management  
18 system.

19 MR. GLENNON: I would say that's  
20 correct.

21 COMMISSIONER ZUNIGA: So, how do you  
22 leave it? You alluded to this in your  
23 introductory remarks. Help me understand  
24 timeframe to explore further feasibility or

1 functionality.

2 MR. LENNON: Eric and his team have  
3 people from the Gaming Standards Association  
4 coming in to talk about the protocols in  
5 addition to SAS. And I think they are still  
6 looking at the architecture, what would be the  
7 optimal architecture in order to implement  
8 this.

9 They're talking about possibly  
10 requiring agents on individual gaming devices  
11 that would be put there on the part of  
12 regulators to collect the data because  
13 essentially that's the way they're doing it  
14 now. They have an agent running on each of the  
15 servers at these iGaming providers that's  
16 collecting and transmitting the data.

17 So, I think the technical solve, if  
18 you will, or how the approach is going to be  
19 done with brick-and-mortar has not been worked  
20 out. I think there's a conversation about what  
21 are the mechanics.

22 We know that slot machines,  
23 electronic gaming devices give out data. I  
24 think it's the question of how do we collect



1 that data. The other question I think is the  
2 interoperability, the ability of the system to  
3 affect the machine. I think the asset  
4 management piece is a significantly more  
5 complex component of what we were looking to  
6 buy. I don't think that's been considered at  
7 this point in the Jersey model, but I think  
8 they will consider it.

9 COMMISSIONER ZUNIGA: That assumes  
10 that we're looking to mirror what GTECH  
11 provides, but that may not be the goal, right?

12 MR. GLENNON: From the standpoint of  
13 the efficiencies of GTECH, I think the asset  
14 management piece was one of the savings, the  
15 productivity or the efficiency pieces that we  
16 saw as being an advantage.

17 So, I think we would look to have  
18 that capability if we were looking for an  
19 alternative.

20 COMMISSIONER ZUNIGA: But it doesn't  
21 have to be a technological capability, right?  
22 Everybody that doesn't have a CMS can do that  
23 manually.

24 MR. GLENNON: Yes, you certainly can

1 do things manually.

2 CHAIRMAN CROSBY: Okay.

3 MR. LENNON: Thank you, John. So,  
4 now we'll go through the return on investment.  
5 It's three slides. It's a summary slide. And  
6 then the meat of the information is on the  
7 second and third slides.

8 The first one has to do with  
9 payroll. And I want to thank Vanessa for  
10 pulling this all together. Once again, I had  
11 sat down did a power brain storming session  
12 with her and then she made it look nice. And  
13 she verified the numbers. And Enrique has had  
14 a chance to actually review this with us. So,  
15 I'll walk through what we did.

16 One of the requests was you did a  
17 flat line analysis of staffing over 10 years.  
18 What does it look like if you ramp it up for  
19 1250 facilities (SIC) and then what does it  
20 look like based on the staffing patterns we had  
21 identified when MGM, Wynn and potentially a  
22 fourth facility comes online.

23 So, the assumptions here are four  
24 facilities, 10,000 gaming devices and the start

1 dates that have been presented to us. So, for  
2 the first two years if you take a look in the  
3 analysis, we really end up losing -- not losing  
4 money but the return on investment is negative,  
5 because we only have one facility up and  
6 running.

7 Our staffing pattern would be only  
8 16 gaming agents, two auditors and two  
9 additional -- two additional auditors and two  
10 additional IT staff. That's the same in the  
11 second year. The first year is prorated for  
12 just the last quarter of the year because Penn  
13 is scheduled to come online for January --  
14 sometime in June. And we would start hiring  
15 our staff, the auditors we would start right  
16 now as Rick had told you. And with the gaming  
17 agents, it would be with all of the other  
18 gaming agents in March as our anticipated come  
19 on date.

20 But once you start adding in other  
21 facilities, the MGM, the Wynn, that's when we  
22 start to tip the scales and the return on  
23 investment becomes positive.

24 Now we did some stress test to this.

1 There's a second slide if you go down to the  
2 next one that actually takes a look at the IT  
3 costs that are associated with this.

4           So, when we first came into the  
5 discussion, you have the base cost of the  
6 system which \$187,000 a month prorated for the  
7 first year. Then you have the startup fees for  
8 each one of the facilities. Then you have what  
9 we would project for costs to build databases  
10 in a non-central management environment which  
11 would take in all of the manual process of  
12 meter reads, aggregate them at a central level  
13 so that we can compare across facilities as  
14 well as all of the asset information that John  
15 was talking about that would be updated on a  
16 weekly or monthly basis to let us know where  
17 each device is sitting on the floor and what  
18 platform it's running on and what games are  
19 being played on it. So, we can make sure it is  
20 within the approved gameplay.

21           When you add those two pieces  
22 together, the IT piece with the staffing piece  
23 over a 10-year period, I think we come out to  
24 about a positive two to three million return on

1 investment just on staffing. It doesn't  
2 include any of the additional revenue we  
3 projected could come into play.

4 But then we sat down and we did a  
5 stress test on it. What happens if one of  
6 those facilities does not come online? So, say  
7 -- we won't say the third facility on the chart  
8 doesn't come online. All of the sudden our  
9 return on investment turned into a negative  
10 500,000.

11 So, the system would cost you about  
12 50,000 a year if you averaged it out over that  
13 10-year period. Once again without adding the  
14 additional revenue back in. When you're  
15 looking at a 100 percent audit, 100 percent  
16 verification of assets versus 10 percent audit  
17 10 percent verification of assets. So, is the  
18 system worth it at that? And I think most  
19 people would argue it is.

20 With that we did a further stress  
21 test. What happens if two facilities don't  
22 come online? So, now your basic EGD is only  
23 4000 to 5000 units depending on whether a slot  
24 parlor would be allowed to get more. But

1 you're at 4000 to 5000 units compared to  
2 10,000, all of a sudden, the return on  
3 investment is a negative \$3 million dollars.

4 So, is a \$5 million swing within the  
5 10,000 to 5000, 4000 EGDs once you stress test  
6 it. So, we didn't want to give just the  
7 rosier. We didn't want to give the worst case  
8 scenario. Somewhere in between there lies the  
9 reality.

10 Now I know there were some questions  
11 about could we restructure the financing of  
12 this? GTECH is here. We can't ask those  
13 questions specifically or get specific details  
14 unless we select them as a vendor under state  
15 procurement rules and start the negotiation  
16 process. But I think there's an indication  
17 that they'd be willing to discuss options with  
18 us as long as it doesn't hurt the bottom line  
19 of the contract.

20 They quoted a price. It was a very  
21 competitive price. It was \$7- to \$10 million  
22 dollars cheaper than the next one. I don't  
23 want to give the exacts, but it was \$7- to \$10  
24 million cheaper than -- less expensive than the

1 next best price quoted after the best and final  
2 offers.

3 So, I think to ask them to go lower  
4 on the base price would just really go outside  
5 of the market value.

6 COMMISSIONER ZUNIGA: Derek, remind  
7 me this version that made it into to the  
8 packet --

9 MR. LENNON: We did not do net  
10 present value, you are correct.

11 COMMISSIONER ZUNIGA: That wasn't  
12 the question. That was actually my second or  
13 third question.

14 -- does not include the refresher  
15 cost. There's a refresher cost that's part of  
16 the proposal in year five and that's not  
17 reflected in this version, correct?

18 MR. LENNON: Correct. That would be  
19 a \$3 million increase at year five. But it's  
20 year five of the facility's. So, depending on  
21 when the facilities came online which is why I  
22 think we decided not to put it in when we had  
23 that discussion about putting this forward.

24 So, at what point do you put it in?

1 At what point is the facility going to come  
2 online, if we're going to contemplate that  
3 discussion.

4 COMMISSIONER ZUNIGA: So, it's a  
5 refresher per facility?

6 MR. LENNON: No. It's overall, but  
7 the software added -- So, the total cost of the  
8 refresher is \$3.5 million or \$3 million. But  
9 when it happens is five years from  
10 implementation at that facility. So, Penn  
11 would get it year five. Wynn would get it --  
12 MGM and Wynn would technically get it year  
13 seven or eight of the contract if we did it  
14 right from the very beginning because their  
15 coming online later.

16 COMMISSIONER ZUNIGA: So, Penn would  
17 get a prorated amount of three or so million  
18 dollars or all three?

19 MR. LENNON: We could discuss that.

20 CHAIRMAN CROSBY: It's a total of  
21 three plus whenever it hits.

22 MR. LENNON: Whenever it hits,  
23 that's the quoted price.

24 CHAIRMAN CROSBY: But on your



1 assumption, on either your three or four or any  
2 of your assumptions, it would still hit  
3 sometime during the 10 years, right?

4 MR. LENNON: It depends on how many  
5 facilities we're operating or whether we even  
6 decide to upgrade it at that point.

7 CHAIRMAN CROSBY: So, it's three  
8 million if you upgrade four facilities. It's  
9 less if you upgrade one facility or two or  
10 three?

11 MR. LENNON: I haven't gotten into  
12 those details because I can't talk specifics  
13 until we select them as a vendor.

14 CHAIRMAN CROSBY: Can I ask GTECH?  
15 Is that refresher an absolute one-time cost no  
16 matter how many facilities are involved?

17 MR. CEDOR: First of all, let me say  
18 good morning, Happy New Year. Good morning,  
19 Chairman. Thank you for having me back.

20 Per the RFR, the refresher costs  
21 were hardware and software costs for the  
22 central system and the equipment at each  
23 facility. So, there is some facility-specific  
24 cost in there, but there is also a central

1 system cost which would be independent of any  
2 of the facilities themselves.

3 CHAIRMAN CROSBY: So, there's some  
4 flexibility in the \$3 million but we don't know  
5 exactly how much.

6 MR. CEDOR: Correct. It would  
7 depend on what you wanted to do, when you  
8 wanted to do the upgrade, what you wanted to do  
9 with it from a central system standpoint and  
10 from a facility standpoint.

11 CHAIRMAN CROSBY: Derek, why did you  
12 -- Excuse me. Were you finished?

13 COMMISSIONER ZUNIGA: No, go ahead.

14 CHAIRMAN CROSBY: Derek, why did you  
15 use 10 years as opposed to five or 15? The  
16 license is 15. But the casinos are going to be  
17 there for 50 years or 100 years, who knows.

18 MR. LENNON: So, we went with 10  
19 years with an option to renew five. So,  
20 basically the go with the length of a license  
21 of a casino contract.

22 So, the total length of the contract  
23 is 15 years. The reason for going with 10  
24 years is we thought five years isn't really

1 valuable especially with the timeline we had.  
2 We figured 10 years would give us a good  
3 timeframe to evaluate the partnership.

4 And if we chose not to extend it, we  
5 could cancel it out at that point. If we chose  
6 to extend it, we could go through the life of a  
7 license. That was our thinking.

8 CHAIRMAN CROSBY: It seems to me in  
9 one sense it makes all -- We're sitting here  
10 today. But this is going to be a very, very  
11 long-term proposition as best anybody knows.  
12 Even when the casino licenses are up, there is  
13 no expectation that the casinos are going to go  
14 away. The operating assumption is that it  
15 would be renewed in some way, fashion or other.

16 MR. LENNON: You would renew the  
17 procurement.

18 CHAIRMAN CROSBY: So, in each of  
19 your models year 10, what is the number? I  
20 guess at year 10 in your fourth scenario, four  
21 facility scenario clearly you're saving  
22 significant money in year 10, right?

23 MR. LENNON: Correct.

24 CHAIRMAN CROSBY: In your three

1 scenario, what does year 10 look like?

2 MR. LENNON: In the third scenario,  
3 we are five million --

4 CHAIRMAN CROSBY: The three  
5 facilities scenario.

6 MR. LENNON: We are 500,000 negative  
7 return on investment.

8 CHAIRMAN CROSBY: For the 10 years.

9 MR. LENNON: For the 10 years.

10 CHAIRMAN CROSBY: What does year 10  
11 look like itself?

12 MR. LENNON: I don't have that  
13 generated. It is still a positive because you  
14 lose the significant amount of money in the  
15 first three years.

16 CHAIRMAN CROSBY: I'm not quite sure  
17 which way this cuts, but this isn't a 10-year  
18 deal we're talking about. This is a multi-  
19 multi-multi-year proposition.

20 COMMISSIONER ZUNIGA: However, if we  
21 were doing a return on investment, which was  
22 the question that you anticipated, depending on  
23 the discount rate, the analysis today for year  
24 11 and hence forth really loses the punch, if

1 you will, because it's all about how much we  
2 are spending upfront for the benefits that come  
3 in the future.

4 So, I think 10 years is just fine  
5 for financial calculations if we were doing a  
6 net present value, which we haven't done here.

7 CHAIRMAN CROSBY: Right. I  
8 understand that, but I just think it's worth  
9 remembering that this isn't over in year 10.  
10 Wherever we're at at year 10, it's going to  
11 keep on going for a long period of time.

12 COMMISSIONER ZUNIGA: Right and  
13 there could be all kinds of new technologies in  
14 year 11.

15 CHAIRMAN CROSBY: Right. Who knows  
16 what the future holds. That's right. That's  
17 right. I agree.

18 MR. LENNON: I'm sure GTECH would  
19 tell you how the technologies have advanced  
20 over the time period.

21 CHAIRMAN CROSBY: Right, I agree  
22 with that.

23 COMMISSIONER ZUNIGA: My reaction as  
24 I've told you before this, Derek and Rick,

1 having had the chance to discuss with John is  
2 this notion of the upfront cost.

3           That the business case overall, as I  
4 see it, including not just the monitoring but  
5 the asset management piece in my view makes a  
6 lot of sense if the assumptions come to  
7 fruition, if we are under the rubric of  
8 operating 10,000 machines or thereabouts. And  
9 then there's a diminishing aspect on the  
10 business case if we're of course only operating  
11 1250 machines, which is what we have in store  
12 with quite a bit of certainty.

13           So, I have a general feeling that we  
14 -- It's important to think about all of these  
15 things as we set up the regulatory structure  
16 which you've done, and you've done a great job  
17 in researching multiple options.

18           But I am still a little bit  
19 uncomfortable with the notion -- and this is  
20 just the way the statute was conceived. There  
21 is this slots parlor that comes in for which we  
22 need to be ready, but the big piece that comes  
23 in is really two and a half years or more away.

24           So, I'm wondering, and this is

1 ultimately perhaps a question for GTECH and not  
2 one that is easy to answer in the public  
3 meeting, but perhaps more the subject of  
4 negotiations, but I am wondering if we could  
5 put off the decision on the implementation on  
6 the number of machines because we will have a  
7 lot more certainty very soon, as soon as this  
8 year for example, of what timeframe the next  
9 wave, the big wave of machines is going to come  
10 in. That's my general thought.

11 CHAIRMAN CROSBY: I didn't know  
12 where you were going. So, you're saying can we  
13 not do this for --

14 COMMISSIONER ZUNIGA: Yes, could we  
15 put off this decision today and try to  
16 capitalize on the procurement that we've  
17 already conducted either by asking GTECH to  
18 hold up their pricing, refresh their pricing at  
19 a later time without having to do another  
20 procurement.

21 CHAIRMAN CROSBY: And do a manual  
22 system in the interim you're talking about?

23 COMMISSIONER ZUNIGA: Yes, in  
24 preparation for the slots parlor opening --

1 CHAIRMAN CROSBY: Okay.

2 COMMISSIONER ZUNIGA: -- or a  
3 version of that.

4 MR. LENNON: So, I just want to  
5 break down as each Commissioner what their  
6 ideas are. So, Enrique what you are asking is  
7 can we ask GTECH to hold their pricing for a  
8 certain amount of time. And then you want to  
9 know if they would refresh their pricing.

10 So, I did do some research to that  
11 second item. Because of the way we wrote the  
12 RFR, to capitalize on this process, we can't  
13 ask them to refresh. We've already done a best  
14 and final offer. We've already presented what  
15 their best and final offer is.

16 To do that when they were sealed  
17 pricing bids would give the second or third  
18 person who submitted bids an advantage that the  
19 other competitors didn't have or GTECH didn't  
20 have. So, they came in with the lowest bid.  
21 They came in with their lowest best and final  
22 offer. So, I don't think we could ask them to  
23 come back with another pricing if we wanted to  
24 capitalize on this procurement.



1           We can always ask them to hold  
2 pricing. There was nothing within our RFR of  
3 how long it's mandatory to hold pricing. I  
4 think by state procurement rules they're only  
5 required for either 30 or 45 days, they are  
6 only required to hold it which I think we're  
7 passed that period at this juncture.

8           But we can always go back and ask  
9 them to hold it if that's what the Commission  
10 decided. They're not obligated to.

11           COMMISSIONER MCHUGH: So, if we  
12 wanted to do what Commissioner Zuniga suggested  
13 we do, we'd have to have another procurement?

14           MR. LENNON: If he wants other  
15 pricing, yes.

16           COMMISSIONER ZUNIGA: If I want  
17 what?

18           MR. LENNON: If you want new  
19 pricing, yes.

20           COMMISSIONER MCHUGH: Okay.

21           COMMISSIONER ZUNIGA: Which could  
22 cut both ways, I suppose, right? A new pricing  
23 could be more, could be less. Who knows?

24           MR. LENNON: It could cut both ways,

1 but I just want to remind you that this bid --  
2 the difference in bids that came in, so it  
3 could cut both ways.

4 COMMISSIONER ZUNIGA: Are we going  
5 to get the opportunity to talk about the MGM  
6 letter?

7 CHAIRMAN CROSBY: Yes.

8 COMMISSIONER MCHUGH: I have a  
9 couple of more questions in here. Shift gears  
10 a little bit, have we run to ground and are we  
11 satisfied about the separation between the  
12 monitoring project and the manufacturing once  
13 these two companies are combined?

14 Just so, the context is clear, GTECH  
15 and IGT are in the process of joining together.  
16 One sells the monitoring stuff that we're  
17 talking about today. The other manufactures  
18 the games that are going to be monitored  
19 potentially in some state. IGT being one of  
20 the big game manufacturers.

21 So, have we satisfied ourselves that  
22 there is an impermeable firewall between the  
23 two activities?

24 MR. LENNON: So, we have run that

1 question through our legal department during  
2 the procurement process. And we posted the  
3 answer to that that there doesn't appear to be  
4 a conflict.

5 One of our licensees brought up this  
6 issue. And through conversations with them,  
7 GTECH is currently being investigated by the  
8 IEB to become a gaming primary vendor. So, if  
9 there are specific areas, we could always take  
10 a deeper look into that. But our legal  
11 department has answered that question. And I  
12 think GTECH can talk a little bit too. They've  
13 been asked to answer this question in other  
14 jurisdictions as well.

15 MR. CEDOR: We've been asked this  
16 question in a number of jurisdictions. One  
17 that I am personally familiar with is  
18 Pennsylvania. I testified at the December 10  
19 meeting, I think it was, of the Pennsylvania  
20 Gaming Board where my portion of the testimony  
21 was involving the central system.

22 And the gaming board approved the  
23 ability for GTECH to continue to operate the  
24 central system and IGT to continue to sell slot

1 machines in the state of Pennsylvania after the  
2 transaction is complete.

3 I don't believe the minutes of that  
4 meeting have been posted. I know the  
5 presentation that we presented at that meeting  
6 is available on the Pennsylvania Gaming Board's  
7 website. But I expect the minutes from the  
8 meeting will be there soon.

9 And Pennsylvania did an  
10 investigation. They didn't find any issues  
11 themselves. And also, I believe they stated  
12 that none of the operators in Pennsylvania had  
13 expressed a concern about it as well. But  
14 those minutes, once they are posted, will be  
15 publicly available.

16 COMMISSIONER MCHUGH: Okay, thank  
17 you. Were you going to follow up on that?

18 COMMISSIONER ZUNIGA: Yes.

19 COMMISSIONER MCHUGH: Okay. Then I  
20 have another question on a different subject.

21 COMMISSIONER ZUNIGA: In the letter,  
22 and I know we'll hear from them I hope, but on  
23 this very topic MGM raises the question or that  
24 question of the IGT/GTECH topic in conjunction

1 with some of our regulations that grandfather  
2 certain systems for the slots parlor but not  
3 for the other operators given the timeframe, as  
4 one that gives rise to or increases the notion  
5 of this conflict of interest, if you will. And  
6 it's something that I don't quite understand.

7           Could some of you speak to that? Or  
8 will you let MGM speak to that?

9           MR. LENNON: We would want MGM to  
10 talk to that because our conversation with them  
11 on the phone was a little different than how  
12 the letter came in. The conversation on the  
13 phone was more of larger selection that  
14 Pennsylvania will have of types of machines  
15 because they'll be allowed to bring in SAS-  
16 based as well as G2S.

17           COMMISSIONER ZUNIGA: Pennsylvania  
18 or Penn?

19           MR. LENNON: Penn, I'm sorry. Penn  
20 would be able to have SAS-based versus G2S. As  
21 opposed to they would only be able to bring in  
22 G2S. That was more the discussion. There was  
23 a competitive edge.

24           COMMISSIONER ZUNIGA: Not a conflict

1 of interest but a competitive disadvantage.  
2 One that they also highlighted with Connecticut  
3 for example not just Penn in this case.

4 MR. LENNON: Right. That wasn't so  
5 much around the conflict. The conflict was  
6 around what Matt was discussing, having central  
7 monitoring system monitoring over the games  
8 that their same company owns and investigating  
9 that firewall between the two divisions to make  
10 sure a clear separation, which I guess if there  
11 are specifics, I am sure we can ask our team to  
12 take a look into what Pennsylvania did, our  
13 IEB.

14 MR. GLENNON: I want to give some  
15 historical perspective. When we promulgated  
16 our regulations, the original drafts required  
17 that all electronic gaming devices as of a  
18 certain date have G2S or system to system  
19 protocols. And that was a two-year period.

20 Actually, Penn asked that they be  
21 allowed to put in SAS-based machines and those  
22 that are installed can be grandfathered. It  
23 was our decision to accept that because we  
24 would still be getting a set of data from those

1 machines. It wouldn't be the rich data  
2 protocols of G2S, but that was a concession  
3 because Penn is opening two years earlier and  
4 manufacturers have not been quick to adopt --  
5 it's a standard that's been in the works since  
6 2006. I know I've said that that multiple  
7 times.

8           So, we amended the regulations to  
9 grandfather SAS-based machines for those 1250  
10 devices. And we require the commercials, Wynn  
11 and MGM, to have G2S based machines effective  
12 January 1, 2017.

13           The conversation yesterday was  
14 around the competitive advantage of being able  
15 to put a SAS-based machine in and have  
16 availability of a broader inventory. Because  
17 truly of all of the manufacturers, really only  
18 the top five in the top 10 are beginning to  
19 adopt the G2S standard.

20           I think our reasoning is more data,  
21 a richer data set. And that's the way the  
22 regulations ended up. This was a surprise  
23 during the conversation yesterday. And I think  
24 that was the reason that they raised it in the

1 letter.

2 COMMISSIONER MCHUGH: Why isn't that  
3 a separate conversation from the conversation  
4 about whether we ought to have a CMS?

5 MR. GLENNON: I believe it is.

6 COMMISSIONER MCHUGH: And if it is a  
7 separate conversation, and if it is so that  
8 manufacturers are slow to adopt the G2S system  
9 and if it's a consequence of our regulation  
10 means that there won't be as rich an array of  
11 games potentially on the gaming floor by 2017,  
12 why isn't that a topic we need to take up and  
13 rethink in a context that is separate from the  
14 CMS conversation?

15 In other words, a possible outcome  
16 of that conversation is either to allow both  
17 forever or push back the effective date of the  
18 G2S requirement or leave it the same. But  
19 however you come out, it doesn't affect the  
20 primary question.

21 MR. DAY: Commissioner McHugh, we  
22 actually have not a long list but a few other  
23 slot machines related new regulations and  
24 changes to make coming forward. So as you



1 said, that appears to be optimal time to do  
2 that at that point.

3 And we can take a look at what MGM  
4 has to say in their letter in more detail and  
5 then we can make a decision on whether that  
6 needs to move forward. But that would be the  
7 form I think you're talking about for that kind  
8 of discussion.

9 COMMISSIONER MCHUGH: Okay. We  
10 haven't heard from them yet, but that gets me  
11 to the last paragraph of MGM's letter. Does  
12 that kind of a conversations sooner rather than  
13 later that they're talking about in that last  
14 paragraph blend in with what you're talking  
15 about? And is that a conversation that should  
16 occur before we make a final decision on the  
17 CMS and allied questions?

18 I know another postponement is not  
19 what people are looking for. I understand  
20 that. But we are talking about a 10-year  
21 investment, a 10-year plan with some  
22 significant consequences both in terms of  
23 dollars and in other terms.

24 MR. DAY: Commissioner, that's their

1 suggestion to sort of bring together a group?

2 COMMISSIONER MCHUGH: Get everybody  
3 together and talk through some of these things,  
4 including the one we were just talking about.

5 I'm not talking about a long  
6 postponement. We've got to make a decision so  
7 that Penn can be ready to go on schedule,  
8 right? Everybody is committed to that. And  
9 it's my understanding that you can, but it's  
10 highly undesirable to start off with a manual  
11 system and say we'll catch up later after these  
12 machines are installed and up and running.  
13 That's not good. We ought to decide it one way  
14 or the other before they open.

15 So, that looks to me as a hard  
16 deadline. And we've got to adjust all of our  
17 decision-making to enable that to happen. So,  
18 any postponement to have the kind of discussion  
19 that's talked about in the last paragraph it  
20 seems to me has to take place soon.

21 MR. GLENNON: I do want to say that  
22 after the last meeting, I reached out to all  
23 three of our licensees. And we did have  
24 discussions with all three of them.

1 Unfortunately, the MGM one was yesterday  
2 afternoon. So, really little time to respond  
3 to their letter.

4 And I think in the spirit of  
5 collaboration, I agree with you. I think it's  
6 a conversation that this needs to be the right  
7 decision for all concerned. So, I think if we  
8 need additional time to have a collaborative  
9 conversation and readdress some of these issues  
10 then maybe that's what we should do.

11 COMMISSIONER MCHUGH: Wait a minute.  
12 Derek?

13 MR. LENNON: Based on my  
14 understanding of this central management system  
15 or central monitoring system we're looking at,  
16 it can handle SAS-based gaming. It can handle  
17 downloadable gaming and it can also handle G2S  
18 gaming.

19 So, whether the platform can handle  
20 the different machines or different options you  
21 would put in, it's covered in the RFR. It's a  
22 requirement of the RFR. So, if you wanted to  
23 change up the variety and you wanted to give  
24 the same competitive basis to all of the

1 jurisdictions, it can handle it.

2           Would there maybe be additional  
3 costs that we'd have to negotiate with GTECH  
4 because we didn't build in a cost for interface  
5 boards, which is what the SAS-based -- you need  
6 two feeds coming out of the machine, we didn't  
7 build in that cost for anything but the Penn  
8 facility because we were assuming we wouldn't  
9 need that. But the system can handle it.

10 GTECH can answer this question if you need to  
11 but that's what our RFR required. You have to  
12 be able to handle all of these options.

13           COMMISSIONER MCHUGH: Maybe part of  
14 that conversation would be who bears the cost  
15 for the older stuff.

16           MR. LENNON: Correct.

17           COMMISSIONER ZUNIGA: How  
18 undesirable is this notion of reversing just  
19 the slots parlor a decision of going with  
20 manual and then backfilling or retrofitting, if  
21 you will, a central monitoring system? That's  
22 where I think I want to explore.

23           Putting off a decision that gives  
24 certainty as to the timing on the main

1 operations, 6000 plus machines, and in the  
2 meantime deal with the slots parlor.

3 By the put off that I'm talking  
4 about effectively would have to deal with the  
5 slots parlor and retrofit a central  
6 monitoring system if we put off that decision.

7 How undesirable as you were just  
8 characterizing it, Commissioner, is that  
9 option?

10 MR. GLENNON: I would ask IEB  
11 because I think the greatest impact on starting  
12 up operations or operationalizing oversight of  
13 our regulations in a manual fashion as opposed  
14 to using systems is going to be a significant  
15 challenge, because you're going to be training  
16 one way and then maybe having to shift the  
17 course. So, Bruce can you speak to that?

18 MR. BAND: I think it's a  
19 disadvantage starting up in the manual and  
20 switching over. The systems, the amount of  
21 staff it takes even the learning curve to how  
22 to use the system and everything, it's just not  
23 desirable to make people learn two different  
24 ways of doing it.

1           Even our training gets extended  
2 quite a bit to learn how to do these slot  
3 inspections and sealing the chips and the like  
4 of that.

5           COMMISSIONER MCHUGH: And the  
6 learning curve for the CMS under that scenario,  
7 under the delay scenario, we'll call it, would  
8 have to take place in an operational facility  
9 rather than before a facility started its  
10 operations.

11          MR. BAND: Correct.

12          COMMISSIONER MCHUGH: And it also to  
13 do that would deprive us of the sort of testing  
14 on a small scale that we are in other ways  
15 looking to our slots parlor to provide us with.  
16 And they've been very generous in accepting  
17 that role thus far, right?

18          MR. BAND: Yes.

19          MR. LENNON: Can I follow up on that  
20 question? So, to summarize it, I look at it as  
21 pros and cons. What are the pros you get out  
22 of it by waiting? You get the higher return on  
23 investment for those first year or two.

24                 What are the cons you get? We have

1 to do two separate sets of regs. And I know  
2 we're a reg. machine, and I know we can switch  
3 them at any point, but you are doing two  
4 separate sets of regs. You're doing two  
5 separate sets of processes. You have different  
6 sets of forms that you're going to develop and  
7 then change over. You have different auditing  
8 protocols you're going to have to develop under  
9 each scenario.

10 Then you get into the actual  
11 staffing. You're bringing in contract  
12 employees or contract firms. Because if we are  
13 going to make this decision to go electronic  
14 monitoring in the future, these positions that  
15 we're going to bring on for the manual process  
16 we can't hire them as FTEs, which then how do  
17 you bring the people in?

18 Are you going to bring in -- I mean  
19 if I'm looking at it for my auditors, I'm going  
20 to bring in an accounting firm. It's going to  
21 be much harder to bring in temporary FTEs,  
22 train them to get rid of them. So, I bring in  
23 an accounting firm that has probably a little  
24 higher cost than you pay for FTEs.

1           You are going to go from a vanilla  
2 environment, which we are trying to bring in  
3 with the slot parlor to the desired manipulated  
4 environment that we want by the time the full  
5 resort casinos open up. While you're opening  
6 up the full resort casinos versus testing it  
7 and managing and massaging our reports while  
8 you're in the 1250-machine phase.

9           Then you have some additional  
10 startup costs of doing it while the floor is  
11 operating at the slot parlor. So, the pros and  
12 the cons are, it's cost and the return on  
13 investment. And then there's the final one of  
14 will our vendors hold their price for a year?  
15 Will they hold it for six months? Will they  
16 hold it for whatever that undetermined period  
17 of time is or determined period of time is?

18           That's the way I try to look at the  
19 situation. And yes, Bruce has the problem of  
20 training and then either shifting six people  
21 when the positions open up or having to post  
22 temporary positions.

23           COMMISSIONER ZUNIGA: And let me ask  
24 this question this way. Has there been any



1 other jurisdiction that has been doing any kind  
2 of manual sort all technology and transition  
3 into something like a central monitoring  
4 system?

5 In other words, is the only real  
6 time to decide is before we have any of these  
7 operations? I realize that places like Vegas  
8 and New Jersey with so many -- so much history  
9 and so many machines exist, it's almost  
10 unfeasible to try to retrofit a number of  
11 machines of that size. But are there any other  
12 jurisdictions to anybody's knowledge?

13 MR. GLENNON: I'm not aware of any,  
14 but I do know, and Derek correct me if I'm  
15 wrong, but when we visited Ohio they said they  
16 didn't stand up with an automated system but  
17 the director told us that if he had the  
18 opportunity today that he would.

19 MR. LENNON: Well, what he said was  
20 he didn't have the opportunity because of how  
21 quickly they had to get their places open. If  
22 he had had the information that we've been able  
23 to do, it would have been a much more difficult  
24 decision for him to make. But with the timing

1 he had, he was opening them as they were being  
2 built. And he didn't have the lead-in time  
3 that we have. And I think his budget structure  
4 is a little different.

5 COMMISSIONER ZUNIGA: So, there was  
6 no time to do a central monitoring system but  
7 there was enough time to do it manually?

8 MR. LENNON: With the Casino Control  
9 Commission, yes. There are plenty of options.  
10 And we've had this conversation on the record  
11 in the past. There are plenty of options for  
12 us to go out there and take a look at forms.

13 It's just you're implementing one.  
14 You're writing your regs. based on that. And  
15 you're getting your operators working on that.  
16 And now you're going to switch and implement  
17 new forms. So, there's a time and a cost to  
18 that.

19 We're not going to re-create the  
20 wheel. We're going to try to use as much as  
21 other jurisdictions have in any of these  
22 processes, which is why in the vanilla  
23 environment that comes with GTECH, it's based  
24 on reports that other jurisdictions use

1 regularly. It's not the massaged reports that  
2 we may want in the future.

3 COMMISSIONER MCHUGH: So, you can  
4 shift midstream, but you've outlined the cost  
5 and benefits of doing it.

6 MR. LENNON: Yes, it's not ideal.  
7 It's not ideal. That's why we had Penn put  
8 down separate wires in the floor while they  
9 were doing construction, because we had this  
10 conversation, can you shift midstream.

11 We'd ideally like to start it up  
12 this way, but in the long run we don't want to  
13 be doing manual processes. We want to do this  
14 electronically.

15 CHAIRMAN CROSBY: What's the central  
16 benefit of your notion of waiting? What's the  
17 bottom line you get?

18 COMMISSIONER ZUNIGA: The return on  
19 investment, the upfront cost. The main  
20 argument against this is a significant upfront  
21 cost. And by design it has a yearly cost most  
22 of which is the software or the hardware  
23 needed. It's a fixed cost.

24 CHAIRMAN CROSBY: I thought we paid

1 a flat fee each year.

2 COMMISSIONER ZUNIGA: Yes.

3 CHAIRMAN CROSBY: So, what do you  
4 mean by an upfront cost?

5 COMMISSIONER ZUNIGA: When you  
6 prorate that upfront cost on 1250 machines,  
7 which are the number of machines that we're  
8 going to have for the next two and a half or  
9 three years or more, there's a significant cost  
10 upfront because it's not prorated on as many  
11 machines.

12 In other words, the business case  
13 that we make here, when you do it over 10,000  
14 machines or whatever, 7000 machines in my view  
15 that upfront cost is really -- those economies  
16 of scale --

17 CHAIRMAN CROSBY: So, if we postpone  
18 this for a year, we would save whatever the  
19 difference is between doing it manually and  
20 \$2.6 million?

21 COMMISSIONER ZUNIGA: Yes. In  
22 addition, we'd have a lot more certainty when  
23 the other machines are coming into place.  
24 Right now, we're making good assumptions. But

1 it could actually be further than what the  
2 current timelines that we have on those  
3 machines. As well as Region C, who knows what  
4 will happen in Region C. We might know next  
5 month for all we know.

6 CHAIRMAN CROSBY: Even if you take  
7 Region C, just forget Region C, the business  
8 case is that in the 10-year period, it's  
9 basically a wash. So, forget Region C.

10 COMMISSIONER MCHUGH: Excuse me. If  
11 I understand that correctly, the business case  
12 is it's a wash with three facilities operating  
13 -- all of which are operating in two and a half  
14 years.

15 CHAIRMAN CROSBY: Right. To me, if  
16 there were an extraordinary amount of money it  
17 would certainly be something we'd probably have  
18 to do to postpone it. But just the logic of  
19 spending a year or so in a manual environment  
20 and then switching over, it just seems so  
21 counterintuitive. If it isn't a devastating  
22 amount of money, it just doesn't make very much  
23 sense to me.

24 I think you had mentioned -- I

1 thought where you were going to go earlier was  
2 would there be a way that we could change the  
3 payment structure?

4 COMMISSIONER ZUNIGA: That's another  
5 option.

6 CHAIRMAN CROSBY: If we could ramp  
7 the payment structure -- Say it's going to be  
8 \$26 million, but instead of \$2.6 million per  
9 year, year one was \$1 million and year 10 was  
10 \$4.5 million and it ramped, that would be  
11 perfectly reasonable. And I would think that  
12 GTECH might consider that.

13 We might end up paying a little bit  
14 more at the backend as a consequence, but that  
15 certainly would flatten the cash flow. And  
16 even if we had some kind of an out-clause, if  
17 there was a radical change in assumptions, I  
18 don't consider only three facilities a radical  
19 change in assumptions, but if there's new  
20 legislation or something and we went to two,  
21 then the whole world is a whole different  
22 place.

23 And if we had some kind of an option  
24 to get out of this in the event of a radical

1 change in assumptions, again you'd probably  
2 have to pay a penalty, but if you could get out  
3 of it, then if we could negotiate those two  
4 points, it seems to me that would accommodate  
5 your legitimate concern without forcing us to  
6 go through this really, really I think  
7 counterintuitive manual, first, and then in  
8 parallel and then switching over.

9           Now I don't know how much you can  
10 address those two issues, either of you, but  
11 would you consider ramping the payment schedule  
12 (A)? And (B) would you consider some kind of  
13 an out-clause in the event that we had a  
14 radical change in our circumstances?

15           MR. CEDOR: I don't feel that I can  
16 give you a solid answer just having had the  
17 conversation for the first time now. It's  
18 something that we would be willing to take back  
19 and look at. Certainly, during the negotiation  
20 process is when that would typically happen. I  
21 can't say yes, but I won't say no. It's  
22 certainly something that we're willing to take  
23 back and look at.

24           MR. LENNON: On the out-clause, I

1 have talked to Matt about this because it's not  
2 a specific negotiation, but they do have that  
3 in other contracts with other jurisdictions.  
4 And it does come with a penalty.

5 CHAIRMAN CROSBY: So, there is a  
6 pretty good likelihood it sounds like that we  
7 could negotiate a way to get out of this albeit  
8 there will be some kind of penalty, but we  
9 could get out of this if the world changed on  
10 us is what I'm hearing you say.

11 MR. CEDOR: We have similar types of  
12 clauses in other contracts, but again there are  
13 a lot of variables in those clauses that would  
14 need to be negotiated.

15 CHAIRMAN CROSBY: Right.

16 COMMISSIONER MCHUGH: And did I  
17 understand you to say earlier that that's not  
18 the kind of question that can be asked and  
19 answered definitively at this stage of the  
20 proceedings?

21 MR. LENNON: No, it cannot because  
22 it wasn't part of our RFR. So, we'd have to  
23 select them, start negotiations to start those  
24 types of specific conversations of what are the



1 exact penalties with an out-clause. Asking  
2 them do you do this in another area that's  
3 fine.

4 COMMISSIONER STEBBINS: Would it  
5 also require if we get to the point that MGM  
6 makes about having a conversation between the  
7 technical folks and potentially GTECH or  
8 somebody else in order to have that  
9 conversation, we would also need to make a  
10 decision as to select them? I don't understand  
11 how that would potentially change the RFR  
12 process.

13 MR. LENNON: We could ask them to.  
14 We'd have to say anyone who wants to  
15 participate in that conversation is available  
16 to, but we can't require. They're not our  
17 contractor yet. I can't require them to do  
18 anything.

19 So, I think that given the  
20 situation, they'd probably be more than likely  
21 willing to have that conversation. I can't  
22 answer for them, but I can't require them to,  
23 no. But we can invite them to have that  
24 conversation. There's nothing that hurts the

1 procurement rules by inviting them to have that  
2 conversation.

3 COMMISSIONER CAMERON: For me  
4 personally, this is bigger than a fiscal issue.  
5 One of the things we didn't spend a lot of time  
6 discussing which I think adds great value is if  
7 we did wait year. And I understand the  
8 downside to doing that.

9 The certainty here in the  
10 Commonwealth, I think there is great  
11 uncertainty right now. And it's not just  
12 Region C in moving all these facilities in a  
13 timely manner.

14 Secondly, I think there is great  
15 value in a partnership exploring another  
16 option, which would be partnering with New  
17 Jersey. Having been there, I see that as  
18 something that is worth exploring. So, it's  
19 the fiscal issue. It's the uncertainty here.  
20 We're basing all of our assumptions on 10,000  
21 machines, and also the value in a good-faith  
22 effort to really explore another option.

23 Those three things are all important  
24 to me and worth considering even though there

1 is a downside of not moving forward. But again  
2 it's 1250 machines.

3 COMMISSIONER ZUNIGA: Let me add, I  
4 think this notion that there is going to be a  
5 cost, which I think there will be in terms of  
6 training somebody and then having to retrain  
7 them on something else, just like you  
8 characterize some of my concerns as not that  
9 significant I think those may not be all that  
10 significant.

11 I think, and I'm purely speculating  
12 here, but knowing what we're going to be  
13 automating rather than trusting a machine to do  
14 it for us from the get-go may have some value.  
15 If we have some knowledge as to what we are  
16 checking manually first that now the machine is  
17 going to do for us, again, the slots parlor is  
18 a test case in many cases. It is for our  
19 player management system. It is for how we are  
20 going to implementing many of our own  
21 procedures and organizing, etc.

22 This could very well just be another  
23 one in which we first figure out now firsthand,  
24 and this maybe just for someone like me,

1 observing what it means, understanding better  
2 what SAS versus G2S, etc. means when it comes  
3 to this issue and how they correlate may get me  
4 further comfortable with the notion that  
5 automation is the way to go.

6 I'm there when it comes to, as I've  
7 said before, the business case for 10,000  
8 machines or thereabouts or even 7000 machines.  
9 But I also don't want to rely 100 percent on  
10 the black box, if you will, because the  
11 computer is going to tell us everything.

12 CHAIRMAN CROSBY: So, you're not  
13 sold on the idea that automation is the way to  
14 go?

15 COMMISSIONER ZUNIGA: No.

16 CHAIRMAN CROSBY: Okay.

17 MR. LENNON: So, to address a few of  
18 those points, Commissioner. We would still  
19 have to have audit procedures. And we'd have  
20 to know how the casino is bringing their  
21 revenue figures to us, because if we have a  
22 discrepancy on meter reads, if we have a  
23 discrepancy between our meter reads, their  
24 meter reads and possibly their final

1 reconciliation, we would have to go back and  
2 check all of the paperwork. So, that's going  
3 to be part of the procedures anyway.

4           So, you'll have to know that one way  
5 or another. Having a separate machine do it  
6 gives us another level of confidence and  
7 transparency to the public, which is one of the  
8 main things. Then we're just talking about  
9 meter reads at this point. You're not talking  
10 about where we gain most of our efficiencies  
11 which is on the asset management side.

12           So, I know these systems started off  
13 to verify meters, but the main place they are  
14 used now is on the asset management side of the  
15 house. The accounting side, as you have seen  
16 with regular accounting systems, yes, they make  
17 it easier. You're not writing in ledgers, but  
18 you still have to have the foundational  
19 supporting documentation to generate those  
20 reports.

21           That's what we're doing here, pull  
22 up the exception reports and we'd be able to  
23 review them based on that versus a typical  
24 audit procedure.

1                   COMMISSIONER ZUNIGA: Right. But  
2 we're not operating with nothing else, right?  
3 There are house systems. There will be systems  
4 that we will have access to that the casino  
5 operators themselves do. We have internal  
6 control procedures. We have cameras monitoring  
7 and many other things to help us verify a  
8 number of things and ensure a lot of the  
9 integrity of the cash collection. I've made my  
10 point.

11                   MR. LENNON: That's the difference  
12 of automation versus manual and whether you  
13 think that we need a manual versus an automated  
14 system.

15                   COMMISSIONER ZUNIGA: What I'm  
16 saying though is this period -- If we put off  
17 this decision for some period of time in  
18 addition with what Commissioner Cameron was  
19 saying, help us explore and understand better  
20 whether there's any real feasibility to some of  
21 the other alternatives.

22                   And then have both more certainty as  
23 to the number and timing of some of these  
24 machines and are comfortable with how we are

1 going to implement this system or not, I think  
2 it could really get us there.

3 In other words, I think this  
4 decision today from my perspective even though  
5 there's a slot parlor coming up sometime in  
6 June, may be a little premature. That's where  
7 I come down.

8 COMMISSIONER CAMERON: I have the  
9 same sense.

10 CHAIRMAN CROSBY: Any other  
11 thoughts, questions? The MGM letter takes the  
12 position relative to cost. I don't think we  
13 really need to get into that very much. The  
14 other stuff it does seem to me is not a go/no-  
15 go decision on a CMS. These other topics are  
16 operational topics and whether there should be  
17 appropriate grandfathering and so forth, how  
18 good the firewall is and so forth. But I don't  
19 think that meeting needs to be held prior to  
20 this decision if you're ready to make the  
21 decision.

22 COMMISSIONER ZUNIGA: Well, I'd like  
23 to understand whether there is really no  
24 correlation between the regs. as we've

1 grandfathered some of these protocols and the  
2 CMS. I still don't understand why that may be  
3 an issue. I know you don't think it is John,  
4 and I believe that.

5 MR. GLENNON: There is no impact on  
6 the CMS because the CMS can handle either set  
7 of protocols. So, if we were to go back and  
8 revise our regulations to allow the SAS  
9 protocol for an additional period of time, no  
10 impact.

11 I think that's basically the reason  
12 we obligated the G2S protocol is it's a richer  
13 set of data and we believe it would give us  
14 more information about the activities at the  
15 machine. And it would also provide some  
16 interoperability, the Responsible Gaming  
17 Framework messaging -- actually, it's the  
18 informed player class of the G2S data set.  
19 There's more information available.

20 And I think our position is data to  
21 regulate, so the richer the set of data we are  
22 collecting, the more information we have. So,  
23 that was the logic behind setting the date of  
24 January 1, 2017. I think we'd be willing to



1 revisit that in conversations as we look at  
2 revisions to those regulations.

3 COMMISSIONER ZUNIGA: And that would  
4 eliminate this concern that they state.

5 MR. GLENNON: Rick was pointing out  
6 there's a cost. For each device that would be  
7 connected would require a system management  
8 interface for it, at an incremental cost of  
9 about \$350. So, if you put an older SAS-based  
10 machine in that's going to require that that  
11 box that basically splits the signal coming out  
12 of the back of the machines. But there is no  
13 impact. That concern can be, I think,  
14 mitigated pretty easily.

15 MR. LENNON: Just be clear, GTECH  
16 did not quote that cost of \$350 per machine. I  
17 think John is just going with an off the top,  
18 what he found in a magazine.

19 MR. GLENNON: Yes, but there is a  
20 cost. Thanks Derek.

21 MR. DAY: Mr. Chairman, I think you  
22 identified when you were talking about it and  
23 Commissioner McHugh, is the industry  
24 perspective. We have received earlier letters

1 and issues from the industry that match very  
2 closely in many cases what we've seen today.

3 We saw some new issues raised. But  
4 I think the Penn letter actually describes the  
5 crux of the problem, because it says the  
6 employment of a reliable central server system  
7 itself poses no significant issues for Penn  
8 other than the upfront and ongoing operational  
9 cost.

10 So, Penn has been upfront and posed  
11 it from the initial stage as I think have the  
12 other two licensees. There's a basic  
13 difference, I think, over what is the best  
14 regulatory avenue to move forward with. And  
15 that I think has a foundation of even if we had  
16 further discussions I really believe we would  
17 be at the same place. Is this the best  
18 regulatory step for the Commission and the  
19 Commonwealth or not?

20 CHAIRMAN CROSBY: Right.

21 COMMISSIONER CAMERON: How about the  
22 fact that -- I don't know that we've explored  
23 this enough. -- the concern that there hasn't  
24 been sufficient discussion with the licensees

1 or with the Commission over the potential  
2 conflict.

3 Typically, as a Commission we have  
4 not taken another jurisdiction's investigation  
5 or their thought process as something we should  
6 adopt without our own thought process with  
7 regard to a conflict.

8 I know that you asked our legal  
9 team, but that's not something that we publicly  
10 discussed or we were informed about the reasons  
11 for they think that there is not a conflict.  
12 And I know we're talking about minutes from  
13 another jurisdiction but we've never taken  
14 another jurisdiction's, whether it be for an  
15 investigation or any other regulation, we've  
16 never just wholesale said they said it was  
17 okay, so we should as well.

18 MR. DAY: If I might just try to  
19 weigh in a little bit. And Derek and John, if  
20 you have another thought, and I think this is  
21 what Derek's been saying so if I'm mis-  
22 portraying it let me know, I know you will, if  
23 there's the selection I think we have the  
24 opportunity and I think that's the opportunity

1 to successfully -- a selection doesn't say  
2 GTECH has this bid. We have to successfully  
3 negotiate an agreement with them in that  
4 process.

5 And if during our negotiation if we  
6 feel we have to have additional background  
7 check or we have to make sure that separation  
8 is there, I can't see any reason why that can't  
9 be a condition of the process.

10 And I think you are correct. We  
11 ought to look very carefully at that and make  
12 sure we're convinced ourselves that there is  
13 that sufficient separation before we would ever  
14 recommend the Commission actually accepting the  
15 contract in the end.

16 MR. LENNON: That's accurate.

17 CHAIRMAN CROSBY: Okay.

18 COMMISSIONER STEBBINS: Just to  
19 follow up on Commissioner Cameron's point to  
20 take that step, why doesn't that allow us an  
21 opportunity to as the MGM letter discusses  
22 having our licensees come in, talk about the  
23 technical capacities, talk about the  
24 scalability issue, which Commissioner Zuniga

1 raised. As long as it's consistent with the  
2 solicitation process in that GTECH has been  
3 identified as the preferred vendor, certainly  
4 through a dollar and cents identifier, having  
5 them at the table to kind of further the  
6 discussion per MGM's letter.

7 CHAIRMAN CROSBY: I didn't get it.  
8 So, what was that point?

9 COMMISSIONER STEBBINS: Well, if  
10 we're going to take this time I think as  
11 Director Day agreed with Commissioner Cameron's  
12 point of looking at this issue of the GTECH/IGT  
13 merger and any conflict of interest, take that  
14 time to have this conversation as per the  
15 request of MGM and I'm sure the other licensees  
16 would agree to sit down again with GTECH if  
17 it's allowable for them to be at the table.

18 I'm interested in the scalability of  
19 this and not getting hung up on the front end  
20 with some high costs that we're passing along  
21 to our licensees. And just walking through the  
22 technical issues, the regulatory issues and see  
23 if we can come back with a recommendation at  
24 the end.

1 MR. DAY: One thing is I want to  
2 make sure, the difference is what I was talking  
3 about is basically a situation where it's a  
4 selection of GTECH pending successful  
5 negotiations and certain conditions. At least  
6 that's what I was talking about from my  
7 perspective.

8 COMMISSIONER STEBBINS: I understand  
9 that but I think to Commissioner Cameron's  
10 point is looking at whatever was presented to  
11 Pennsylvania. And as she rightly concludes, we  
12 do things a little bit differently regardless  
13 of what other jurisdictions do. And just take  
14 some time in that intervening period to have  
15 the conversation between our licensees and  
16 Derek and John and GTECH again if it's  
17 allowable for them to be at the table.

18 MR. DAY: The conversation is always  
19 beneficial. But Commissioner Stebbins I even  
20 say it respectfully with the licensees, I  
21 believe the bottom line of that discussion is  
22 not going to change.

23 CHAIRMAN CROSBY: Well, it won't  
24 change relative to whether we should have a CMS

1 or not, but they can hash out some of these  
2 issues about this last paragraph where we all  
3 need to have the technical conversation. It  
4 won't be a go/no-go but it could certainly  
5 resolve questions.

6 MR. GLENNON: I do want to make a  
7 comment on the conflict of interest situation.  
8 Of the vendors that responded to the RFR, GTECH  
9 and one of the other vendors have gaming  
10 divisions which they keep separate.

11 And before IGT, I believe, GTECH did  
12 have a gaming division. That's been part of  
13 their business model. I believe that the  
14 reason that other jurisdictions have found it  
15 to be acceptable is that the regulatory  
16 operation, the INTELLIGEN operation that runs  
17 this software for regulators is an entirely  
18 separate entity and there is no interplay.

19 I think that's what you're going to  
20 find out. I wanted to make the point that this  
21 is a business model that exists out there in  
22 two of the top vendors of regulatory software  
23 that we looked at.

24 MR. LENNON: And I just want to say

1 back to my original statement, if that's what  
2 the Commission would prefer, that's a valid  
3 point that you don't want to start negotiations  
4 with someone that you feel there may be a  
5 conflict with.

6 So, if you want us to look into  
7 something, we should be given that directive.  
8 We'll look into it. We can ask GTECH to sit  
9 down with this group and have the technical  
10 conversation but we can't require them to  
11 because they're not our vendor, unless we enter  
12 into a contract, unless we say we're going to  
13 award it and we won't actually sign a contract.

14 So, we've got to make the decision  
15 that they will be our vendor. We're not going  
16 to actually sign the contract until you come  
17 back with something to us on specifics of what  
18 is the financing schedule. What is the best  
19 thing they can do?

20 What are the specifics behind the  
21 penalties that you'd have to pay at what point  
22 when you get out? What is the true separation  
23 that exists between -- not true, but what are  
24 the barriers that are put in place that can



1 make us feel comfortable?

2           So, we can either decide to say yes.  
3 We're going to choose you as our vendor. And  
4 you can start negotiations and here are the  
5 points I want you to negotiate on. And we'll  
6 bring the contract back in front of us with all  
7 of these finalized things.

8           Or it's go forth IEB, do an  
9 investigation similar to what Pennsylvania did,  
10 come back and report on us. And they we'll  
11 decide. In the interim, if you could all sit  
12 down and have this conversation, we'd  
13 appreciate it, but it's not going -- we can't  
14 say it's going to reflect on the contract one  
15 way or another. It's not fair to ask them to  
16 do that without --

17           CHAIRMAN CROSBY: Where are we on  
18 the timing? At one point I thought we were  
19 saying that they needed six months, the  
20 decision get made and get these things  
21 installed. At what point are we seriously  
22 compromising the ability to get the system up  
23 and running properly?

24           MR. LENNON: Pretty much right now.

1 We had originally said we'd give this two  
2 weeks, review it and then hash out a very, very  
3 generic contract that would put in a bland, a  
4 vanilla version of this for the go-live date  
5 that Penn was expecting.

6 And I think the initial schedule  
7 that came before you said January 9 was when we  
8 wanted to have the contract signed. In other  
9 conversations, there is some wiggle room there,  
10 a week or two to actually hash out, negotiate  
11 these things. But it would be a concerted  
12 effort for us to sit down if you decided today  
13 to negotiate all of these things and to get the  
14 investigation done.

15 CHAIRMAN CROSBY: But I thought both  
16 you and John were fairly cavalierly saying if  
17 we don't want to make a decision now, that's  
18 okay with you.

19 COMMISSIONER MCHUGH: I didn't sense  
20 any cavalierly.

21 MR. GLENNON: I think I am open to  
22 continuing collaboration. But I think we risk  
23 being able to successfully implement if we  
24 don't have a decision to partner with GTECH

1 today and move it forward from that point. I  
2 think from a planning and engagement  
3 standpoint, any further deferral is going to  
4 risk us being able to make the 5/30 date for  
5 system go-live, which at this point is a month  
6 in advance of the published opening of 6/30.

7 CHAIRMAN CROSBY: Right.

8 MR. LENNON: What I had gone  
9 through, the pros and the cons of opening on  
10 time with it versus at a later date when the  
11 facility is already up and running. What I had  
12 said is you can do it either way. Is there a  
13 preferred method? I said yes, we would like to  
14 have it at the beginning. Can we do it with  
15 the facility up and running, yes, we can do  
16 that. And here are the pros and the cons.

17 COMMISSIONER CAMERON: I'm not  
18 clear. Were we going to hear from MGM before  
19 we move forward with this process? Wasn't that  
20 part of the -- Or did we make a decision on  
21 that?

22 CHAIRMAN CROSBY: We can do whatever  
23 you want.

24 COMMISSIONER CAMERON: So, they were

1 prepared to come speak to us today. Isn't that  
2 what we heard early on? I don't think we've  
3 said no yet to someone who wanted to speak to  
4 us on a topic. So, I'd be prepared to listen  
5 to what they have to say.

6 CHAIRMAN CROSBY: Fine with me.  
7 Let's just have very short break and we'll come  
8 back and talk to MGM.

9  
10 (A recess was taken)

11  
12 CHAIRMAN CROSBY: We are reconvened.  
13 Counselors?

14 MR. NATASIA: Mr. Chairman,  
15 Commissioners, thank you for the opportunity to  
16 speak to you today.

17 For the record, Marty Natasia from  
18 Brown Rudnick, consultant to MGM. And I'm  
19 joined by my colleague, Jed Nosal, regulatory  
20 counsel for MGM.

21 I just wanted to start by touching  
22 on Commissioner Cameron's comments, which I  
23 thoroughly appreciated. Over the course of the  
24 last three years, the Commission has conducted

1 themselves in a very collaborative manner. In  
2 fact, they have proven to be very innovative  
3 and independent so much so that they have never  
4 relied on the assumptions of the decisions of  
5 other jurisdictions.

6           They've conducted their own  
7 thoughtful and deliberate examinations,  
8 investigations and discussions. And we think  
9 this is one of those areas where once again the  
10 Commission should conduct themselves in that  
11 collaborative manner. And that's sort of what  
12 we're asking for here, to be involved in those  
13 discussions and coordinate with all of the  
14 stakeholders.

15           Before I move onto my colleague, Jed  
16 Nosal, I also did want to talk to you on the  
17 manual systems. We believe or MGM believes  
18 they are efficient and effectively used in  
19 other jurisdictions. They are a reliable  
20 management system that ensures the integrity of  
21 the casino floor and the independent games. I  
22 just wanted to make that point clear. And I'll  
23 pass it onto Jed Nosal.

24           Mr. NOSAL: Thanks. And we've had

1 the benefit obviously of hearing your  
2 discussions this morning, Mr. Chairman and  
3 members of the Commission. And we just want to  
4 add some additional, I think, comment to that  
5 and certainly having the benefit of that, and  
6 really I'm going to talk briefly about sort of  
7 three points.

8 Building a little bit on Marty's  
9 piece about and I think what the Commission is  
10 sort of thinking about now is when is the  
11 appropriate time in order to perform some sort  
12 of additional due diligence regarding the issue  
13 of the potential conflict. And I use that term  
14 in sort of its broadest ways not only from a  
15 legal perspective, but also operational as well  
16 as any impact it may mean for the market in  
17 Massachusetts.

18 In addition, after that we do think  
19 there is value in what we've described as a  
20 technical session. It's something I don't  
21 think that traditionally has been used by the  
22 Commission. And we do operate sort of within  
23 the confines of certain rules regarding how  
24 information can be passed back and forth to the

1 Commission.

2           But when you're dealing with a  
3 highly technical issue and one that deals with  
4 specific costs and I think could benefit from  
5 more of a forum that involves a back-and-forth  
6 conversation ability for the parties to  
7 interact and ask each other questions,  
8 sometimes that can really bring a lot of value  
9 to the decision-maker in understanding exactly  
10 what we are doing before we actually take that  
11 step.

12           And certainly I can represent from  
13 the perspective of MGM on this particular  
14 issue, they will bring the resources here  
15 quickly and do that as efficiently and under  
16 whatever schedule that the Commission sets for  
17 that to happen. And I think there is value in  
18 that. It certainly allows for a better, I  
19 think, product in the end, and a better  
20 informed decision as well.

21           And I think here really the ability  
22 to have the IT people interact directly with  
23 the folks from GTECH as well as the Commission  
24 staff I think would add a lot of benefit to

1 this particular project.

2           Then I also want to talk a little  
3 bit and I hope that the Commission does  
4 consider this issue of delay, there may be  
5 another benefit to that. To the extent that  
6 the Commission -- and the Commission, I  
7 believe, touched on this, really thinking about  
8 this from the perspective of what will we know  
9 in a year.

10           We're going to know more about our  
11 own market. And we're probably going to know  
12 more about the technology and whether or not  
13 the G2S system is being adopted at a greater  
14 frequency. And I think we're going to have a  
15 better understanding of what we're dealing  
16 with.

17           It's quite possible that that  
18 information is going to provide more certainty  
19 to this particular marketplace and could  
20 involve potentially a better or more dynamic  
21 product, or even a better price from a company  
22 like GTECH.

23           So, I do think there is some value  
24 in that and allowing essentially some of the



1     uncertainties that have been discussed to be  
2     considered after a period of time.  
3     Understanding and listening to the points  
4     certainly that have been made about both, I  
5     think, as Mr. Lennon put sort of the pros and  
6     cons about that decision. But I did want to  
7     put that in front of the Commission I think in  
8     the pro column as well.

9             With that I think we are available  
10     to answer questions, obviously on a limited  
11     ability on the super technical side. So, I  
12     hope you'll excuse that but if there's anything  
13     else we can provide to the Commission in  
14     connection with its deliberations, we're happy  
15     to do that.

16             COMMISSIONER MCHUGH: I have one  
17     question, and that's based on the point you  
18     raised last and I've asked it before. Why  
19     don't you see that the G2S conversation as a  
20     separate conversation, related but separate  
21     from whether we do a CMS or not?

22             MR. NOSAL: Commissioner, I'm going  
23     to be careful here. And I think this kind of  
24     goes to our point of really these types of

1 issues being discussed. I can't say for  
2 certain that that in fact is the case. I  
3 certainly can't represent that to you today. I  
4 certainly respect staff's position on that.

5 But that is the perfect question  
6 where certainly a back-and-forth and sort of  
7 probing that I suggested that we could do in a  
8 forum like a technical session I think we can  
9 get to the absolute bottom to that.

10 It's a good process I think that we  
11 engage in here. And once in a while I think  
12 it's imperfect for certain subject matter.  
13 Sometimes we're caused to react. I also didn't  
14 want to let sort of the issue of cost  
15 completely slide by. I mean Derek's done some  
16 wonderful work on analysis. We just see some  
17 additional analysis today.

18 Certainly, I think we'd like the  
19 opportunity to continue to digest that and  
20 provide some additional information regarding  
21 costs that may or may not be known by the  
22 internal team.

23 COMMISSIONER MCHUGH: How quickly  
24 could you assemble the people that are

1 essential for the conversation on this issue?

2 MR. NOSAL: I talked to Mr. Mathis  
3 just during our break. And he made a  
4 representation to me and I feel he may be  
5 watching that he could make that happen as soon  
6 as possible. I'm sure I'm going to get a text  
7 in a few minutes.

8 But we're committed to working on  
9 the schedule that the Commission sets for that.  
10 We understand sort of the necessity of  
11 gathering that information. I feel comfortable  
12 making a commitment that we'll get a few people  
13 here, the right people in order to make that  
14 happen quickly.

15 COMMISSIONER MCHUGH: Okay. Thank  
16 you. I'm done. Thank you.

17 CHAIRMAN CROSBY: Anybody else?

18 COMMISSIONER CAMERON: Thank you.

19 COMMISSIONER ZUNIGA: Thank you.

20 MR. GLENNON: I would like to ask  
21 Matt to step back to the mic and speak to  
22 conversations which GTECH is having with MGM in  
23 Maryland.

24 MR. CEDOR: I just wanted to say for

1 the record, if you determine that a technical  
2 meeting or discussion should take place, GTECH  
3 would be happy to participate.

4 And in the interest of time, if you  
5 wanted it to be more quickly, I would ask --  
6 we've had a number of conversations with MGM  
7 over the past six months regarding the property  
8 they're preparing to open in the state of  
9 Maryland in the summer of 2016. So, if the  
10 technical team from MGM were the same people  
11 that are involved in Maryland, they already  
12 have some familiarity with our system. And I  
13 think that it would eliminate a bit of a  
14 learning curve if they brought a new team in.

15 But those conversations have already  
16 happened. We are not contractually obligated  
17 to have those conversations in Maryland. We  
18 are because it's in the best interest of the  
19 state and the gaming program. And we'd be  
20 happy to do that here as well.

21 COMMISSIONER ZUNIGA: On that note,  
22 do you know if Maryland is -- Are you going to  
23 implement or it looks like you're going to  
24 implement in Maryland a central monitoring

1 system similar to what we have here?

2 MR. GLENNON: We have a central  
3 monitoring system in Maryland. We have been  
4 operating it for the past four and a half  
5 years.

6 CHAIRMAN CROSBY: So, MGM will be a  
7 part of that when it opens?

8 MR. CEDOR: Correct.

9 COMMISSIONER ZUNIGA: Every casino  
10 there is started with one or was there any  
11 similarities to what I was describing in my  
12 scenario?

13 MR. CEDOR: The system was I believe  
14 part of the enabling legislation in Maryland  
15 and the system was up and running prior to the  
16 first facility opening.

17 COMMISSIONER ZUNIGA: Thanks.

18 COMMISSIONER MCHUGH: So, the  
19 discussions with MGM in Maryland are  
20 implementation discussions not go/no-go  
21 discussions.

22 MR. CEDOR: Correct, but they are  
23 discussions involving our system as well.

24 COMMISSIONER MCHUGH: No, I

1 understand. Right, right.

2 CHAIRMAN CROSBY: So, you're doing  
3 in Maryland with the Maryland Live facility  
4 precisely what we are talking about doing here,  
5 CMS.

6 MR. CEDOR: Very much the same.  
7 There are some requirements that are different  
8 between the two states but it's by and large  
9 the same set of requirements, yes.

10 CHAIRMAN CROSBY: All right. So  
11 where are we, anybody?

12 COMMISSIONER MCHUGH: I've been  
13 really on the fence from the beginning on this.  
14 And here's where I am now.

15 I see the personnel costs,  
16 automation costs as essentially a wash. We  
17 talked about that last time. We've talked  
18 about that a couple of times. There is,  
19 depending on your scenarios, there's about a \$5  
20 million potential spread over a 10-year period,  
21 depending on what scenarios or assumptions you  
22 make. And that's not parking meter money.

23 But over 10 years it's not for me  
24 dispositive. It's probably going to be

1 somewhere in the middle of that. It's either  
2 going to be slightly positive or slightly  
3 negative. That's why I view that as a wash.

4 I think the asset management benefit  
5 is a significant benefit although I must say  
6 that we are going to have three locations.  
7 I've seen the asset management piece in  
8 Louisiana where they have a centralized system.  
9 But they have 15,000 machines in 600 locations  
10 or something like that. And it seems to me  
11 impossible to regulate them without this kind  
12 of a thing. And it would be more feasible to  
13 do asset management here manually than it is in  
14 such a widespread thing. But I still think  
15 asset management is a benefit.

16 I think the benefits in terms of  
17 transparency of a full essentially real-time  
18 financial reports as opposed to manual sample  
19 reports is a significant benefit. And that's  
20 something that this system would provide. And  
21 that's an essential difference between manual  
22 and automation.

23 And I also think that if we are  
24 going to do this, I understand that we could

1 wait. I understand that it would be  
2 potentially a little more costly to do it  
3 initially, but I generally agree with Derek's  
4 cost-benefit analysis. I think the benefits  
5 that we would gain from the additional costs  
6 would favor doing it initially and getting it  
7 up and running before Penn opens.

8           It's still for me a close question.  
9 I would like to have, just to make sure that I  
10 understand all of the issues, and I think that  
11 I do, but every time we have this conversation  
12 a slightly different issue comes up. And for  
13 me this is such a close call that I'd like to  
14 have assurance that I have all of the issues.  
15 I would like to have that common conversation  
16 that MGM is talking about. I'd like to have it  
17 quickly.

18           I think we need to stay on track for  
19 Penn's opening to have this up and not have  
20 this delay Penn's opening. So, I'd like to  
21 have that and I'd like to come back, if it's  
22 possible, in two weeks and make the final  
23 decision. That's where I am now. That's my  
24 preferred outcome.



1                   COMMISSIONER CAMERON: Which means  
2 the technical as well as the conflict issue,  
3 have some kind of a meeting to discuss those  
4 issues in the interim?

5                   COMMISSIONER MCHUGH: Yes, to the  
6 extent we can deal with the conflict issues in  
7 the two weeks that's desirable. But I would be  
8 prepared if there are no technical or other  
9 impediments to go ahead with the conflict  
10 resolution at the hands of the IEB being a  
11 condition of the execution of the contract.

12                   COMMISSIONER CAMERON: So, it's the  
13 technical issues.

14                   COMMISSIONER MCHUGH: It's really  
15 the technical issues that I am most concerned  
16 about now.

17                   CHAIRMAN CROSBY: I agree with  
18 everything that the Commissioner said except  
19 the conclusion. I would go forward today and  
20 have those discussions be part of the  
21 negotiating process. For all of the reasons  
22 that you outlined well, I don't feel it's as  
23 close as you do. I fell it's a pretty clear  
24 decision. I would say that we should move

1 forward today.

2 COMMISSIONER CAMERON: I would be  
3 inclined to -- Because this is a very difficult  
4 decision, I feel like the more information the  
5 better. And we've set a tone of really  
6 discussing these issues in public and not after  
7 we award contracts.

8 So, I would be inclined if we could  
9 handle both issues in the next couple of weeks.  
10 And maybe have some testimony on a potential  
11 conflict and certainly a technical discussion.  
12 I would be more comfortable making a decision  
13 after having both of those issues discussed in  
14 public.

15 COMMISSIONER ZUNIGA: Same here,  
16 including the last point Mr. Nosal made  
17 relative to providing additional feedback on  
18 some of the assumptions relative to cost. But  
19 I come down in the same place as Commissioner  
20 McHugh and Cameron.

21 CHAIRMAN CROSBY: Commissioner  
22 Stebbins?

23 COMMISSIONER STEBBINS: Their  
24 statements or comments are consistent with my

1 line of thinking. I'd also like to raise the  
2 question if we can have the discussion in this  
3 intervening period about the scalability.

4 COMMISSIONER MCHUGH: About what?

5 COMMISSIONER STEBBINS: Scalability  
6 and the ability to budget this out over time,  
7 to the extent that we can without impacting our  
8 solicitation process.

9 CHAIRMAN CROSBY: You mean the  
10 scalability of the payments?

11 COMMISSIONER STEBBINS: Yes.

12 CHAIRMAN CROSBY: What I was talking  
13 about ramping?

14 COMMISSIONER STEBBINS: Yes.

15 CHAIRMAN CROSBY: Okay. Well, I  
16 guess we don't need to vote really if what  
17 we're saying is let's postpone and kick the can  
18 down the road for two weeks.

19 COMMISSIONER MCHUGH: I would  
20 certainly favor that. I've already said I  
21 would favor that. I would also favor a sort of  
22 consensus that two weeks from now we are going  
23 to decide this. And really would urge  
24 everybody to -- I know we are putting a lot of

1 pressure on people that have many things to do,  
2 but I really would like to have a full rich  
3 conversation within that two-week period so  
4 that we can decide it the right way.

5 COMMISSIONER STEBBINS: I agree with  
6 that. Two week is a firm date for our next  
7 meeting and make a decision.

8 COMMISSIONER MCHUGH: Yes.

9 COMMISSIONER CAMERON: So, you're  
10 saying have these discussions in two weeks and  
11 then decide right away, not have those  
12 discussions in the interim?

13 COMMISSIONER MCHUGH: Have the  
14 discussions in the interim among the staff  
15 folks and the other participants and get a  
16 report of their outcome including whatever  
17 anybody who's a participant wants to say.

18 But have those discussions, try to  
19 come to some resolution of things including  
20 does the two-system question naturally fit the  
21 one side of this basic decision? And if not,  
22 why not? So, that we don't necessarily have to  
23 resolve that issue right away, but we certainly  
24 need to face it. But is it a necessary part of

1 this conversation from a technical standpoint  
2 or is that something that is simply a decision  
3 we can make down the road as well as who bears  
4 the cost of it.

5 And whatever other questions that  
6 are non-central to this can be put to one side  
7 for later decision ought be part of this, it  
8 seems to me, collaborative discussion that the  
9 last part of MGM's letter envisions.

10 MR. DAY: Commissioners, just for my  
11 clarity and I think our follow up is I can  
12 handle the two weeks. I know what that means.  
13 And the scalability I think I understand are  
14 shifting the expenses further on in the  
15 contract period. I understand the technical  
16 conference that MGM has been discussing and the  
17 conflict of interest question.

18 COMMISSIONER MCHUGH: Right.

19 MR. DAY: And in the meantime, the S  
20 to S question on the machines regardless of the  
21 outcome, we'll look at that as we propose those  
22 final regulations anyway. And we can have this  
23 as part of the discussion as to what -- how  
24 much it pertains to the conversation about

1 central management; is that correct?

2 COMMISSIONER MCHUGH: Right.

3 CHAIRMAN CROSBY: And I just have to  
4 say for the record, I really disagree. The  
5 things we are going to learn, we should learn  
6 them with that. But I think we do a disservice  
7 to our professional staff by not making this  
8 decision. I think we're doing a disservice to  
9 our vendor. I hope they keep their price. And  
10 I think we have chewed this thing beyond reason  
11 but that's just my own thoughts.

12 MR. GLENNON: We've got our  
13 homework. Thank you very much, Commissioners.

14 CHAIRMAN CROSBY: Next up.

15 MR. GLENNON: So, I have a positive  
16 report, a very positive report. I'm going to  
17 talk about the gaming technology laboratory.  
18 So, we've talked a couple of times in the past  
19 about the hybrid model, which MGC is going to  
20 stand up. And helping us to stand up that  
21 model, we have regulations, and we are working  
22 on business processes to be able to enact those  
23 regulations to permit platforms and to work  
24 with manufacturers in the testing laboratories.

1           And I want to introduce some people  
2 who have joined us here today who are helping  
3 with that effort. We've engaged the consultant  
4 Power Strategies. And we have two members of  
5 that team, Stephanie Maddocks is a principle of  
6 -- President of Power Strategies. She's opened  
7 more than 50 properties and has 26 years in the  
8 gaming industry.

9           Frank Neborsky is Principle and a  
10 Vice President of Power Strategies and spent 18  
11 years at Mohegan, has 35 years in the industry.  
12 They are helping me with standing up the  
13 business processes that we're going to use in  
14 the lab to be able to enact the regulations.

15           So, we have a draft of that. It's  
16 not ready for primetime, but we're working on  
17 it. And we expect to have -- to be able to  
18 share that with our licensees, with the labs  
19 and with the manufacturers very shortly.

20           Also joining us today are  
21 representatives from two of the preeminent labs  
22 in the US that do testing. Travis Foley,  
23 Executive Vice President of Operations for BMM  
24 Testlabs has been in the industry 20 years.

1 Thirteen of those years, he was the gaming lab  
2 manager, the director of the lab in Nevada.  
3 And he's been with BMM for three years.

4 Then from Gaming Laboratories  
5 International, Patrick Moore, the Senior  
6 Director for GLI. And he's been with them for  
7 13 years.

8 And Ali Ghanavati of gaming business  
9 development for GLI has been in the industry  
10 for 26 years and spent a number years with the  
11 New Jersey Technical Services Bureau in the  
12 Department of Gaming Enforcement in New Jersey.  
13 So, we're very happy to be working with these  
14 folks and it's a good group.

15 Further to standing up the  
16 laboratory, we're in the process of hiring a  
17 gaming technology manager. We have three  
18 candidate which we are in the process of  
19 vetting and interviewing. We hope we get a  
20 viable one -- We hope we get somebody out of  
21 that group. It's been very difficult. It's  
22 such a niche type of a role. And I think there  
23 aren't that many people that have that skill  
24 set. So, Stephanie --



1                   CHAIRMAN CROSBY: Is that a  
2 different job description from what you've been  
3 looking for before or is this the same?

4                   MR. GLENNON: No, it's the same one.  
5 I think the question is what venues. We  
6 haven't got a lot of response in the standard  
7 places where we would post this, whether it's  
8 the Commonwealth's site or on Monster.

9                   But with Power Strategies' help, we  
10 have been able to do some target placement of  
11 the job description in more industry-related  
12 periodicals and also context. Sometimes it  
13 really is who you know. So, we've drawn I  
14 think a broader field. And we have some  
15 candidates. Hopefully, one of them will work  
16 out. That's my hope, because it's been open  
17 now for eight or 10 months, a while.

18                   A couple of other things, we have a  
19 short-term approach to opening up for Penn.  
20 They have 1250 machines which are going to have  
21 to be permitted and put into the asset system.  
22 Obviously, having the CMS decision up in the  
23 air is going to affect how we stand up the  
24 laboratory, but for the short-term we are going

1 to engage -- First of all, we're going to  
2 certify the laboratories.

3 And then we have an agreement to  
4 engage GLI to test the 1250 machines to do the  
5 system test and to help us open up. So, that  
6 they've provided a fixed price bid -- it's not  
7 fixed price. It's less than 500 hours of time  
8 at their standard billable rate of \$136 an hour  
9 to help us get Plainridge open.

10 In addition to that they will also  
11 help with, if we choose to do the CMS, the  
12 independent certification of the CMS platform  
13 as well and the certification of the house  
14 system, the slot management system as well.  
15 So, that's the short-term approach.

16 Longer-term, we're going to be a  
17 multi-lab state. BMM who Travis represents we  
18 will also certify them if they apply to be  
19 certified. So, in the future either GLI or BMM  
20 will be able to do testing on behalf of  
21 Massachusetts for our technical standards.

22 So, that's where we are. We are  
23 going to be able to support Penn's opening  
24 without being an encumbrance to their opening.

1                   COMMISSIONER CAMERON: Question,  
2 Director, how did we select one lab over --  
3 There are many labs that do this work. How did  
4 we select one to do the work in the short-term?

5                   MR. GLENNON: Commissioner, frankly,  
6 there are only two in the country and they're  
7 both represented here today.

8                   COMMISSIONER CAMERON: There are  
9 some smaller ones that do this work as well.

10                  MR. GLENNON: Eclipse, Nick Farley  
11 and Eclipse test in Ohio but they are not ISO  
12 certified and will probably have difficulty  
13 getting our certification because they don't  
14 have the methodologies and practices in places  
15 that's in the larger labs.

16                  So, it was a question of the timing  
17 and being able to do an open procurement. And  
18 I think an open procurement probably would have  
19 taken longer than we have to be able to open up  
20 Plainridge. So, that was the reason that we  
21 decided to engage GLI directly rather than to  
22 openly procure it.

23                  COMMISSIONER MCHUGH: Can you,  
24 Director, explain the division at a very high

1 level, the division of functions between our  
2 internal lab and BMM/GLI when both are  
3 certified?

4 MR. GLENNON: So, we have a set of  
5 technical standards which at the current time  
6 mirror the GLI standards, which everybody uses.  
7 So, the process would be a manufacturer who  
8 desires to have a platform in a property here  
9 would sell that platform to the licensee. And  
10 then come to us and apply for a permit for that  
11 platform.

12 So, they would then go to GLI or  
13 BMM, whatever their choice is, because it's  
14 their business relationship, for a  
15 certification that the platform meets our  
16 technical standards. And it would then come to  
17 our lab manager for a final review.

18 We have the option in our  
19 regulations to test that machine ourselves, but  
20 the final say after the fact that it's  
21 certified to operate is the gaming lab's  
22 decision.

23 Further, if we choose to go with a  
24 central management system, there will be some

1 additional testing to ensure interoperability  
2 of those platforms with the central management  
3 system. And that would possibly also be done  
4 either by GTECH or with some help from GLI or  
5 BMM.

6 COMMISSIONER MCHUGH: And then if  
7 something goes wrong or there's questions or  
8 there's issues, the lab would have the capacity  
9 to do some forensic or incident recreation and  
10 the like.

11 MR. GLENNON: That's correct. They  
12 have a deep technical staff of engineers, etc.

13 COMMISSIONER MCHUGH: Right, right,  
14 okay.

15 COMMISSIONER ZUNIGA: Did you  
16 mention 850 machines or 1250?

17 MR. GLENNON: 1250 machines, the  
18 idea is to get all of -- Penn in collaboration  
19 has already shared their initial inventory of  
20 300 machines with us so that we can look at --  
21 We're looking to make the process move along  
22 very quickly in terms of making sure that those  
23 machines get certified. So, Lance has been  
24 very cooperative, Lance and his VP of Slot

1 Operations.

2 COMMISSIONER ZUNIGA: Just in terms  
3 of mechanics, are we now or at a future or  
4 short-term time certifying those two, BMM and  
5 GLI or we've already done so?

6 MR. GLENNON: We have not done so.  
7 So, the certification process is part of those  
8 business procedures, which are in draft form  
9 and which we should have a version that's  
10 reviewable internally for the Commission within  
11 the next several weeks.

12 COMMISSIONER ZUNIGA: Oh, those you  
13 alluded to at the beginning.

14 MR. GLENNON: Right. The plan would  
15 be as a first step before we even allow them to  
16 certify machines on our behalf, to certify  
17 them.

18 COMMISSIONER ZUNIGA: Yes. From my  
19 perspective, the procurement I think is  
20 entirely appropriate or the approach. Had we  
21 had the desire to procure this openly, we would  
22 have likely ended with the same two labs that  
23 I'm familiar with that do maybe 99 percent.

24 MR. GLENNON: I do want to say that

1 in full transparency, I told Travis that we  
2 were doing this. He was disappointed, but he  
3 understood the reasoning and the logic.

4 COMMISSIONER MCHUGH: I think many  
5 of us have had the benefit over the past couple  
6 of years of visiting both labs in Las Vegas and  
7 seeing the operation. And both are high-  
8 quality labs run by high-quality people. So,  
9 that process has wound up in a very good place,  
10 as far as I can see.

11 And it's great that we are getting  
12 some expert assistance in setting up this lab,  
13 because I think with that kind of an outline  
14 we'll be prepared to deal with the  
15 contingencies we need to deal with as we move  
16 forward. So, I think this is a great strategy.

17 MR. GLENNON: Yes. We are really  
18 happy to be partnering with both BMM and GLI  
19 and Power Strategies as well.

20 COMMISSIONER STEBBINS: Just a quick  
21 question about the recruitment process. Do you  
22 have a timeline, posting date, posting  
23 deadline?

24 MR. GLENNON: I have three

1 candidates, which we vetted out of the field of  
2 15. So, we have top three that have industry  
3 and engineering experience.

4 They have been phone screened by  
5 Dean. And I think we're going to bring at  
6 least the top two of them in and have a  
7 conversation. So, I think we're down the road.  
8 I'm just hoping that one of the candidates has  
9 the right stuff.

10 We're going to really need somebody  
11 who is dynamic, because it is as much  
12 relationship management. In New Jersey there's  
13 a staff of 50. They test their own machines.  
14 They do their own expertise. Whoever we hire  
15 along with an engineer is going to be our in-  
16 house expert. I am not an engineer by any  
17 means.

18 So, I think we are going to depend  
19 on our gaming lab manager to manage the  
20 relationship with BMM and GLI and also to make  
21 sure that they are doing on our behalf what we  
22 are expecting them to do.

23 COMMISSIONER STEBBINS: Timeline for  
24 hopefully hiring that person or at least making



1 a decision?

2 MR. GLENNON: If one of these  
3 candidates works out, I would say we could do  
4 it within the next month. If not, I think we  
5 are back to square one. It's been difficult to  
6 even get a field. Do you have any?

7 MS. MADDOCKS: No. I think like  
8 you've said, we've looked at 15 resumes, been  
9 able to get at hopefully with the three that  
10 we've seen, you'll be able to pick one of the  
11 three. And that would certainly be able to  
12 speed up the timeline, because I know this has  
13 been an open procurement for quite a long time,  
14 and will certainly help the process move  
15 forward for Penn's opening.

16 COMMISSIONER STEBBINS: Okay. Good,  
17 thanks John.

18 COMMISSIONER ZUNIGA: Right now our  
19 standards mirror the GLI standards, which many  
20 other jurisdictions do. Are we thinking about  
21 that changing in the future? What's your  
22 thoughts relative to that?

23 MR. GLENNON: There are some  
24 anomalies in terms of player percent. When we

1 passed the regulations, there were some areas  
2 where the Commission had some flexibility. I  
3 think the other area as we revisit the current  
4 regulations is the player management feature  
5 from the Responsible Gaming Framework. That  
6 will become a component of the technical regs.  
7 So, that will be an incremental test.

8 Right now, and correct me if I'm  
9 wrong Patrick, Travis or Ali, but the standard  
10 testing is done for one jurisdiction. And then  
11 it is transferable to another jurisdiction as  
12 long as there are no differences in the  
13 policies.

14 So, the fact that we're pretty much  
15 vanilla GLI standards means most of the games,  
16 most all of the games that anybody's going to  
17 want to put into Massachusetts will work  
18 without additional testing because they've  
19 already been passed unless they're a new  
20 platform.

21 However, when we have specifics  
22 around the responsible gaming features at that  
23 point then there'll have to be an incremental  
24 test. They'll test to the GLI standards and

1 then there will be a Massachusetts only series  
2 of tests that are done to make sure that they  
3 meet our technical standards. That's the  
4 difference in the incremental difference. I  
5 think that answered your question.

6 COMMISSIONER ZUNIGA: Yes,  
7 absolutely.

8 COMMISSIONER MCHUGH: Great. Sounds  
9 great.

10 MR. GLENNON: Thank you, very much.

11 COMMISSIONER MCHUGH: Thank you very  
12 much. Thank you all.

13 CHAIRMAN CROSBY: Item number four,  
14 Investigations and Enforcement Bureau.

15 What do you think? It's now 12:30.  
16 I don't think we have more than another hour  
17 probably, maybe less. Shall we just go through  
18 and get it done?

19 COMMISSIONER STEBBINS: Let's go  
20 through.

21 COMMISSIONER MCHUGH: Yes.

22 MS. WELLS: Good afternoon,  
23 Commissioners. The first matter under section  
24 four is the Region C update. The matter is on

1 the agenda this morning primarily so we can  
2 give the public a reminder of the upcoming  
3 deadlines for Region C.

4 As we have discussed publicly and  
5 has been on our website, interested applicants  
6 must schedule a scoping meeting no later than  
7 January 16. That is next Friday. And by  
8 January 9, tomorrow, the applicant must provide  
9 the Commission with the following information:

10 (a) a list of entities and individuals the  
11 applicant believes are qualifiers under our  
12 regulations; (b) a list of entities having more  
13 than a nominal ability to exert control over  
14 the applicant entity;

15 (c) a list of entities having  
16 greater than five percent either voting or  
17 financial in the applicant or in an entity  
18 owning a five percent interest either voting or  
19 financial in the applicant; (d) an  
20 organizational chart showing the upper level  
21 positions held by individuals in each entity  
22 referenced; (d) an ownership chart showing the  
23 owners of each entity I have referenced. For  
24 public companies, we only need to see ownership

1 greater than five percent. And (f) a list of  
2 entities and individuals for which the  
3 applicant is requesting a waiver under our  
4 regulations and the reason for the request.

5 The full application is then due on  
6 30 January. It is expected the applicant will  
7 have their substantially complete proposal in  
8 place by these deadlines. That includes their  
9 complete organizational structure, the complete  
10 equity interest of the partners and the  
11 identification of the operator and their  
12 operations plan.

13 So, I just wanted to reiterate for  
14 the public and for those that are interested in  
15 applying deadline is tomorrow. So, I am  
16 waiting for the information. And if it comes,  
17 then I'll report out to the Commission as  
18 appropriate.

19 CHAIRMAN CROSBY: That list of a, b,  
20 c, d all of that stuff is due tomorrow?

21 MS. WELLS: Correct.

22 CHAIRMAN CROSBY: And you're  
23 construing that as a very hard stop.

24 MS. WELLS: Yes.

1           CHAIRMAN CROSBY:  If you don't make  
2  it, you're out.

3           MS. WELLS:  Correct.  We've had  
4  several delays in the deadlines.  And I think  
5  it's appropriate that we hold fast to what the  
6  Commission has said is the deadline for Region  
7  C here.

8           CHAIRMAN CROSBY:  Do we have any?  
9  Has anybody met that condition yet?

10          MR. GLENNON:  At this point, I think  
11  it would be wise not to get into too much  
12  detail.  Have I received information like this,  
13  yes, I have.  And I have a meeting scheduled  
14  next week.  So, I will report out to the  
15  Commission once that process is completed on  
16  the details.

17          CHAIRMAN CROSBY:  Okay.

18          MS. WELLS:  So, if there are no  
19  other questions, that's the first item on the  
20  agenda for the Investigations and Enforcement  
21  Bureau.

22                 The second item on the agenda this  
23  afternoon, two requests by MGM for temporary  
24  key gaming employee licenses.  As you are

1 aware, key employee licenses require Commission  
2 approval for issuance. And therefore, for the  
3 temporary license I am coming before you as  
4 well.

5           The first request is for a temporary  
6 key gaming employee executive license for Seth  
7 Stratton. Mr. Stratton has been hired by MGM  
8 as Vice President and General Counsel for MGM  
9 Springfield. He's a graduate of Colgate  
10 University with an additional master's in  
11 public affairs from UMass and a law degree from  
12 Suffolk University Law School. He's licensed  
13 to practice law in Massachusetts and  
14 Connecticut.

15           Prior to his hire by MGM, he worked  
16 as an attorney and has never worked in a gaming  
17 company and has never held a gaming license.

18           The preliminary investigation which  
19 consists of a comprehensive baseline has been  
20 completed with no significant issues to report  
21 at this time. At this initial stage,  
22 investigators believe there is a reasonable  
23 likelihood that the license for Mr. Stratton  
24 will be issued upon completion of the

1 background investigation. The full  
2 investigation will continue.

3 The second request is for a  
4 temporary key gaming employee standard license  
5 for Mary Katherine Murren. Ms. Murren has been  
6 hired by MGM Springfield as Director of  
7 Training and Workforce Development. She is a  
8 graduate of the University of Connecticut with  
9 a bachelor's in economics and a master's in  
10 sports management.

11 Prior to being hired by MGM, Ms.  
12 Murren worked as the Executive Director and COO  
13 of the United States Tennis Association New  
14 England and just prior to that the United  
15 States Tennis Association National Manager for  
16 schools and junior tennis teams.

17 Similar to Mr. Stratton, Ms. Murren  
18 has never worked for a gaming company and has  
19 never held a gaming license. Like Mr.  
20 Stratton, preliminary investigation has been  
21 completed with no significant issues to report  
22 at this time. And investigators believe  
23 there's a reasonable likelihood that the  
24 license for Ms. Murren will be issued upon the



1 completion of the background investigation and  
2 that full investigation will continue.

3 So, at this point I believe there  
4 would just need to be a vote on the issuance of  
5 a temporary license for these two employees.

6 COMMISSIONER MCHUGH: Have we done  
7 temporary licenses before?

8 MS. WELL: We have not. So, the  
9 temporary for the key gaming employees, this is  
10 our first one.

11 COMMISSIONER MCHUGH: And what are  
12 the standards for issuing a temporary rather  
13 than waiting until the full investigation is  
14 completed?

15 MS. WELLS: The reasonable  
16 likelihood that it would issue. So, the  
17 Investigations and Enforcement Bureau would  
18 have to certify that before the Commission.

19 COMMISSIONER MCHUGH: So, on a less  
20 technical level, why do we issue --

21 MS. WELLS: So then can start work.

22 COMMISSIONER STEBBINS: They can't  
23 officially do any work for MGM until they  
24 get --

1 MS. WELLS: They need a temporary  
2 license to get started. And they're looking to  
3 get going here.

4 MR. DAY: And it's at the request  
5 of --

6 MS. WELLS: That's right, it has to  
7 be the request of the licensee.

8 COMMISSIONER MCHUGH: Sounds good.

9 COMMISSIONER ZUNIGA: Is there a  
10 time limit on the temporary period?

11 MS. WELLS: Six months.

12 COMMISSIONER STEBBINS: Mr.  
13 Chairman, I move that the Commission extend a  
14 temporary key gaming license and a key gaming  
15 standard license --

16 MS. WELLS: There's two kinds of key  
17 gaming employee, key gaming employee executive,  
18 key gaming employee standard based on the  
19 position they hold in the company. Mr.  
20 Stratton is the executive and Ms. Murren is the  
21 standard.

22 COMMISSIONER STEBBINS: I move that  
23 the Commission extend a temporary key gaming  
24 executive license to Seth Stratton and a key

1 gaming employee standard license to Marikate  
2 Murren.

3 CHAIRMAN CROSBY: Second?

4 COMMISSIONER CAMERON: Second.

5 CHAIRMAN CROSBY: Any further  
6 discussion? All in favor, aye.

7 COMMISSIONER MCHUGH: Aye.

8 COMMISSIONER CAMERON: Aye.

9 COMMISSIONER ZUNIGA: Aye.

10 COMMISSIONER STEBBINS: Aye.

11 CHAIRMAN CROSBY: Opposed? The ayes  
12 have it unanimously.

13 MS. WELLS: Thank you. That's all I  
14 have.

15 CHAIRMAN CROSBY: All right. Item  
16 number five is Research and Responsible Gaming,  
17 Director Vander Linden.

18 MR. VANDER LINDEN: Good afternoon,  
19 Commissioners. Happy New Year. So, the first  
20 agenda item that we have is the play management  
21 policy. And I'm presenting to you the final  
22 draft with the recommendations for this.

23 On December 4 the Commission voted  
24 to adopt a play management system that includes

1 limit setting tools on a test basis  
2 specifically for the Category 2 licensee. That  
3 was, as I understand, the overall  
4 recommendation. There were numerous revisions  
5 to that where the specific features that you  
6 had recommended. And I am bringing those  
7 before you today for a discussion.

8 I'm not sure if you want me to just  
9 read down for each of the specific  
10 recommendations or how you would like me to  
11 proceed with that.

12 CHAIRMAN CROSBY: I don't think  
13 that's necessary, unless anybody wants you to.

14 COMMISSIONER ZUNIGA: No. I was  
15 interested -- I didn't get the redline. I  
16 spotted what I think we discussed here last  
17 time, which was a point that I asked for. If  
18 you don't mind maybe highlighting the revisions  
19 or the changes.

20 MR. VANDER LINDEN: Yes. And I'll  
21 do the best I can to try to capture this. I  
22 don't have redline here either.

23 One of the key changes is to specify  
24 that this is a test basis. And it's a test

1 basis for the Category 2 licensee or for Penn.  
2 A determination about whether or not we would  
3 take this further and apply this to all  
4 licensees will depend in large part on what the  
5 evaluation of the system would tell us.

6           And there is a strong emphasis and  
7 perhaps not strong enough within this document,  
8 but there certainly will be ongoing within the  
9 document that's captured on the very last one,  
10 number 15 that play management tools will be  
11 evaluated to determine the effectiveness and  
12 benefit through a project approved by the  
13 Commission. And that the specific requirements  
14 may change based on the findings of the  
15 evaluation.

16           The last sentence in there I think  
17 is also important. Whether or not we continue  
18 this and apply it to all licensees depends in  
19 large part on findings of the evaluation.

20           The evaluation may also take us in a  
21 different direction. And while these are  
22 initial recommendations that should provide  
23 guidance of how we would implement this with  
24 our Category 2 licensee that may change as well

1 depending what the specifics are and what the  
2 specific features are may shift and change  
3 through the findings of an evaluation process.

4 COMMISSIONER STEBBINS: So,  
5 subsequent to that last point you're going to  
6 come back to us with an evaluation plan and a  
7 timeline for us to approve.

8 MR. VANDER LINDEN: That's correct,  
9 Commissioner. Working on an evaluation plan  
10 now. Also, in trying to emphasize the  
11 importance of evaluation, we would look to  
12 build that evaluation plan in as the system  
13 itself is also built.

14 CHAIRMAN CROSBY: I think that's  
15 essential. Any other questions, comments?  
16 What is the status of the discussions with  
17 Cambridge Health Alliance?

18 MR. VANDER LINDEN: I believe we  
19 have a meeting scheduled next week. I know  
20 that there is a meeting that's in the works to  
21 continue the discussion about what should an  
22 evaluation component look like.

23 CHAIRMAN CROSBY: Okay. Do we need  
24 a vote here?

1                   COMMISSIONER CAMERON: We've already  
2 adopted it.

3                   MR. DAY: You had previously adopted  
4 it. And this is just to ensure that the  
5 changes that were made match what your requests  
6 were.

7                   CHAIRMAN CROSBY: Okay. All right,  
8 next.

9                   MR. VANDER LINDEN: Next item on the  
10 agenda is the placement of ATMs -- the  
11 location, I'm sorry, of ATMs at a gaming  
12 establishment.

13                   This is a bit of an open -- not bit  
14 of, it's an open issue where the Division on  
15 Banking about whether or not ATMs can be  
16 allowed within the gaming establishment. That  
17 said, captured within the Responsible Gaming  
18 Framework, in anticipation that perhaps they  
19 would be allowed within the gaming  
20 establishment, we tried to provide some  
21 direction on where those ATMs should be  
22 located.

23                   So, within strategy five of the  
24 Responsible Gaming Framework, and that strategy

1 is managing high-risk financial transactions,  
2 there a piece 5.3 about bank card transactions,  
3 which specifically states that ATM services  
4 should not be located within 15 feet of gaming  
5 areas.

6 The question is -- The rationale  
7 that you would not want to have an ATM on the  
8 gaming floor is that placing it off of the  
9 gaming floor gives an individual an opportunity  
10 -- a break in the play and an opportunity to  
11 reflect about whether or not they want to  
12 continue gambling.

13 Specifically, one of my concerns is  
14 individuals who would be chasing their losses,  
15 chasing their losses by going to the ATM and  
16 getting more cash to continue to try to win  
17 back the money that they have lost. Placing  
18 the ATM off of the floor would provide some  
19 response to this.

20 What is the science behind 15 feet?  
21 Honestly, there really isn't a science behind  
22 the distance away from the gaming floor that an  
23 ATM would be located. It's the spirit of  
24 creating a break in play for the patron.



1           CHAIRMAN CROSBY: Just to be  
2 absolutely sure that everybody is clear on  
3 this, I know we are but the audience too. At  
4 the moment, the Division of Banks has to make a  
5 decision, has to make an interpretation of the  
6 existing law where there is a disconnect  
7 between a pre-existing banking law that says  
8 you may not have ATMs in the premises where  
9 there is legalized gambling except for the  
10 lottery.

11           Then along comes our law, which  
12 refers to -- which makes it clear that it  
13 assumes there would be ATMs within the gaming  
14 establishment. But it says that it can't be  
15 ATMs that will take money out of EBT cards,  
16 etc.

17           So, our law imagines that there is -  
18 anticipates that there is an opportunity for  
19 ATMs somewhere within the facility. The  
20 Division of Banking law says to the contrary.  
21 That needs to get interpreted.

22           So, until they make their decision,  
23 we are merely talking to ourselves about how we  
24 will implement it if they give us the right to

1 have ATMs somewhere within the gaming  
2 establishment.

3 And we've already made it plain, as  
4 Mark is saying that if it's up to us, we would  
5 not have them be anywhere in the gaming area,  
6 but some distance from the gaming area we would  
7 anticipate having ATMs if the DOB gives us the  
8 right.

9 The Commissioner told me the other  
10 day that they are very close to making a  
11 decision. So, it's perfectly appropriate for  
12 us to be thinking about how we will go forward.

13 But I just want to make it  
14 absolutely clear that this is not up to us.  
15 This is up to the Division of Banks.

16 The second point is all that  
17 discussion when Ways and Means Chairman Brewer  
18 tried to straighten this out, there was a lot  
19 of discussion about ATMs and a lot of  
20 conversation about this should be a topic of  
21 public conversation. We of course have been  
22 doing that. But we wanted to take this  
23 opportunity to regenerate public conversation  
24 about if we are given the right to have ATMs in

1 the gaming establishment somewhere, but not on  
2 the gaming floor how far should the distance  
3 be?

4 And Elaine and Michael, we want to  
5 request aggressively that we would like  
6 feedback from people, whether it's our  
7 licensees or just the public at-large or  
8 whoever. As we've set 15 feet, but as Director  
9 Vander Linden says that's fairly arbitrary.

10 And some public officials including  
11 for example new Senate President Rosenberg has  
12 said that he thought maybe it should be  
13 substantially more than 15 feet. So, we are  
14 looking to invite public comment. And then we  
15 will eventually decide if given the right by  
16 DOB.

17 COMMISSIONER ZUNIGA: But for the  
18 record we've solicited and received a lot of  
19 public comment when we did the Responsible  
20 Gaming Framework. It's conceivable that some  
21 people may have not noticed every provision in  
22 it.

23 CHAIRMAN CROSBY: And I am aware of  
24 that but the media was saying there ought to be

1 public discussion. Of course there's been a  
2 lot of public discussion. That's what we've  
3 been doing here on this. But because it got  
4 this attention, I just wanted to do it again.  
5 Invite yet again people's comments.

6 All of our regs. go through an  
7 elaborate formal and informal public discussion  
8 process but the media missed that in the  
9 conversation. Any other issues or questions?

10 All right, I think that does it.  
11 Any other business? I don't think so. Do I  
12 have a motion to adjourn?

13 COMMISSIONER CAMERON: So moved.

14 CHAIRMAN CROSBY: All in favor, aye.

15 COMMISSIONER MCHUGH: Aye.

16 COMMISSIONER CAMERON: Aye.

17 COMMISSIONER ZUNIGA: Aye.

18 COMMISSIONER STEBBINS: Aye.

19 CHAIRMAN CROSBY: All right. We are  
20 adjourned Thank you very much.

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22 (Meeting adjourned at 12:55 p.m.)

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ATTACHMENTS:

1. Massachusetts Gaming Commission January 8, 2015 Notice of Meeting and Agenda
2. Massachusetts Gaming Commission December 18, 2014 Meeting Minutes
3. Massachusetts Gaming Commission presentation on Central Management System (CMS) with attachment
4. Massachusetts Gaming Commission Gaming Technology Laboratory - Status Update
5. Massachusetts Gaming Commission January 8, 2015 Memorandum Regarding Play Management Recommendation
6. Massachusetts Gaming Commission August 8, 2014 Memorandum Regarding ATMs at a Gaming Establishment

1 GUEST SPEAKERS:

2 Matthew Cedor, GTECH Corporation

3 Stephanie Maddocks, Power Strategies

4 Martin Natasia, Brown Rudnick

5 Jed Nosal, Brown Rudnick

6

7

8 MASSACHUSETTS GAMING COMMISSION STAFF:

9 Bruce Band, Deputy Director IEB

10 Richard Day, Executive Director

11 John Glennon, CIO

12 Derek Lennon, CFAO

13 Mark Vander Linden, Dir. Research and Problem  
14 Gambling

15 Karen Wells, Director IEB

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C E R T I F I C A T E

I, Laurie J. Jordan, an Approved Court Reporter, do hereby certify that the foregoing is a true and accurate transcript from the record of the proceedings.

I, Laurie J. Jordan, further certify that the foregoing is in compliance with the Administrative Office of the Trial Court Directive on Transcript Format.

I, Laurie J. Jordan, further certify I neither am counsel for, related to, nor employed by any of the parties to the action in which this hearing was taken and further that I am not financially nor otherwise interested in the outcome of this action.

Proceedings recorded by Verbatim means, and transcript produced from computer.

WITNESS MY HAND this 10th day of January, 2015.



LAURIE J. JORDAN  
Notary Public

My Commission expires:  
May 11, 2018

